





Simon Henderson in Tehran and Andrew Whitley in London outline the problems confronting the winner of today's presidential poll

## President faces a battle for power in Iran

IRAN GOES to the polls today to elect the first President of the Islamic Republic, a chief executive who, in theory at least, will have as much power as the former Shah ever had.

With his election, the process of installing a permanent government, begun last month with the referendum on the Islamic constitution, will have taken an important step forward. Next month, voting will take place for a legislative assembly and, thereafter, a new administration under a Prime Minister responsible to the President is to be selected.

However, Iran's unique experiment in "dual government" in which the clergy pull all the strings, will not disappear once these shiny, new institutions are in place.

The 14-man Revolutionary Council looks likely to prolong its own life indefinitely: a Council of "Guardians" charged with supervising all legislation to ensure its accordance with Islam is to be formed; and, at the apex, Ayatollah Khomeini is virtually certain to take up the supreme religious and political role of "Velayat-e-Faghih", the trustee of the nation's affairs.

In the coming weeks a new dimension will be added to the already acute political uncertainties in Iran as the President attempts to establish his relationship with the clergy-appointed bodies.

Far from standing above the fray, the country's chief executive is likely to be sucked into the infighting between rival factions which is plaguing the ruling elite. As for attempting to impose his authority in the country as a whole, whoever is successful will need to create an instrument of power loyal to himself.

After repeated purges to prevent a counter-coup, the once powerful Iranian military machine is in a badly demoralised state. One serving major

described recently how discipline had broken down to the extent of outright refusal by soldiers in a class which he was lecturing to listen to what he had to say.

Where the loyalty of the paramilitary Revolutionary Guards is not clear, but it is thought to be favourably disposed to Dr. Mustafa Chamran, the Defence Minister, one of the so-called "Syrian gang" in the Iranian leadership. The Guards have not backed any particular candidate.

Dealing with the minorities will be one of the most pressing tasks for the new President. Recent concessions from Ayatollah Khomeini will help, but the task of reconciling the large proportion of the population which feels the revolution is not in its interests co-operating with Tehran and Qom will be long and arduous.

If he is elected, Mr. Abol Hassan Bani-Sadr, the economic theoretician of the revolution and current favourite to win the race, has promised to make a reform of the economy his top priority.

Oil production is believed to be still running at comfortable levels around 5m barrels a day. But from the scanty information emerging from the oilfields in the south-west, output appears to be fluctuating wildly because of a combination of technical, administrative and political problems.

Chronic unemployment, thought to involve about 3m people from all walks of life, has to be tackled urgently if it is not to pose a medium-term threat to the regime. Related to it are the demands heard first during the agitation against the Shah for more, and cheaper, housing and for stable food prices.

As the revolution approaches its first anniversary, the points of uncertainty are, therefore, more acute than at any time in the past year.

● **ABOL HASSAN BANI-SADR**, 44 (right), has been Finance Minister since the Bazargan Government fell in November at the beginning of U.S. embassy hostage crisis. For a time he was also Foreign Minister. Before the revolution, he studied at the Sorbonne in Paris where he worked on a synthesis of Khomeini's ideas and modern economics, laid out in his book "Economics of Divine Unity." In Western terms his economics are quasi-Marxist. As a member of the revolutionary Council, his views were being heard even before he became a Minister. He is credited with arranging the nationalisation of banks and insurance companies last year.

● **ADMIRAL Ahmed Madani**, 50, (right) is the most Western of those standing and this will probably be his downfall. Even if he is elected, it seems unlikely that the clergy could work with him. His fame and position stem from his work since the revolution as head of the navy and governor-general of the south-western oil province of Khuzestan. In these roles, he has achieved a reputation as a trouble-shooter. The ferocity with which he has put down fighting by the minority Arabs in Khuzestan has not endeared him to some. Maliciously or not, he is seen as a possible Napoleon figure. "In a few years he could be another

After 11 weeks, the crisis with the U.S. over the Shah and the diplomatic hostages in Tehran is not a wishy, near-resolution. There has been a lull, but growing awareness of the danger posed by the Soviet Union's invasion of Afghanistan, but an unwillingness to do anything about it other than a ritual

and plans to nationalise foreign trade. A favourite in the current campaign, he owes his popularity to the respect he has gained from the people for his air of honesty and intellect. He is also known to be very close to Ayatollah Khomeini. If elected, he would probably find it difficult to work with another Khomeini favourite, Sadegh Qotbzadeh, who succeeded him as Foreign Minister. Both men are reliably reported to be unable to stand each other. He is widely believed to want to solve the hostage problem quickly. The big question is whether he will be prepared to involve himself in the necessary political in-fighting.

Reza Shah (the Shah's father who, as a mere Cosca officer, seized the throne), is among the views expressed. Nevertheless, his anti-Shah credentials remain good — unlike some who seem to have built them up since the revolution. As a naval officer in 1971 he was court-martialled for his political views and forced into retirement. Banned from leaving the country, he taught politics and economics at university. His reputation for toughness does not come over in personal contact. Instead, he seems a mild, thoughtful man. A good manager, the extent to which he has revitalised the navy since the revolution is arguable.

diplomatic protest. Ayatollah Khomeini's hospitalisation in Tehran for heart treatment this week could not have come at a worse time. No procedure is laid down in the constitution for a successor to be found, while the prospect of his absence from the scene spotlights the lack of any heavy-



● **HASSAN HABIBI**, 43, is an introvert and, therefore, an unlikely spokesman for the Revolutionary Council.

Journalists who saw him with Khomeini in Paris cannot remember him opening his mouth. He became one of the front-runners in the elections after the Qom Theological College backed him. Since then, other clergy have done so as well. His views have only recently become known. In an interview two weeks ago he candidly said the Revolutionary Council had no control over the students holding the embassy hostages. While saying that the President will have to solve the issue, he also insisted that the Shah must be returned first. If the Shah were not returned, he commented that "it was not that difficult to live with a deadlock." He is Minister of Culture and Higher Education, a position he held in the government of Mehdi Bazargan.

When Bazargan resigned at the start of the present crisis and was asked to join the Revolutionary Council, he apparently insisted that Habibi should join as well. He has not been affected by the campaign waged against Bazargan by the embassy students for the contacts which the former Premier's National Freedom Movement had with the U.S. Habibi was never a member of the movement, but one of Bazargan's former Ministers, Abbas Amir-Entezam, has been arrested and accused of spying because of the contacts.

weight and uncontroversial figure waiting in the wings who could fill the immense gap he would leave behind. Although the outcome of today's presidential election is unlikely to reduce the overall doubt about where the revolution is heading, its significance lies in the fact that it is being held at all at this time of uncertainty.

the radical Mujaheddin-e-Khalq organisation, was forced to stand down.

After weeding out more than 100 lesser candidates, only eight are left in the race—all of them with an approved revolutionary background. As they vie with each other to prove to the electorate their closeness to Khomeini, the campaign has inevitably been fought on the basis of personality rather than policies.

The candidates are a mixed group. By no means all are capable of imposing their personality on a system where power has been up for grabs during the past year, retainable as long as it is held in the name of Ayatollah Khomeini.

The favourite is Mr. Abol Hassan Bani-Sadr, the Finance Minister who lost his foreign affairs responsibilities when he made the mistake of taking an initiative over the U.S. crisis without first receiving the approval of the Ayatollah.

His main rivals for the presidency are Mr. Hassan Habibi, the Revolutionary Council's spokesman and the man with the backing of the most influential group of clerical opinion in Qom, and Admiral Ahmed Madani who has resigned as head of the navy and is now a favourite with the middle class and businessmen.

Mr. Sadegh Qotbzadeh, the Foreign Minister, is given an outside chance. He never really caught the public's imagination, though his revelation on Wednesday that Panama had agreed to his request to detain the Shah pending extradition proceedings may well have been an eleventh-hour attempt to profit electorally from the single issue still uniting the country.

The other main candidates are Mr. Sadegh Tabataba'i, the Ayatollah's son-in-law, Mr. Darius Forouhar, a right-wing nationalist, Mr. Mohammed Mokri, the Iranian ambassador to Moscow, Mr. Kazem Sami, the head of the small JAMA party, and Mr. Hassan Ayet, now being put forward as a compromise candidate for the main pro-Khomeini political organisation, the Islamic Republican party.

The IRP is presently in a state of deep disarray. Its original candidate was barred from taking part, ostensibly because he did not fulfil the requirement of being a "true Iranian." But the party is also under surprisingly strong attack from a number of quarters.

The outcome could be to damage severely the only party which has been able to establish a national network of support since the revolution. All other parties, as opposed to the two main guerrilla organisations who remain semi-underground, are either regional in orientation or small in terms of numbers and influence.

To be successful in the election a candidate has to win over 50 per cent of the votes cast. Mr. Bani-Sadr has expressed confidence that he is capable of achieving this target, but if no outright winner emerges today there will be a run-off between the two leading candidates in a week's time.

Although the contest appears to have aroused considerable interest in some areas, the recent history of unrest in the minority regions means that the actual holding of elections will not be smooth sailing. The Kurds have announced their boycott of the polls; but other dissident groups, such as the Baluchis and the Azerbaijanis, are expected to take part.

The voting procedure is extremely vulnerable to abuse as each of the estimated 22m voters must write the name of his choice on a blank slip. With more than half the population illiterate, the result could well be decided therefore by local interest groups, above all the mullahs in his local mosque.

### OTHER EUROPEAN NEWS

## W. Germany slims down for healthier future

BY RHYS DAVID

A SURPRISING force is emerging in Europe's troubled textile sector. In spite of high labour costs, static demand and a steadily rising import penetration (currently around 40 per cent), West Germany's textile industry is able to look back with some satisfaction on 1979.

In the first nine months—the latest period for which results are available—production and turnover rose by 4 per cent and exports by 12 per cent. Capacity working throughout the sector is at a healthy 80-90 per cent.

The strong recovery which West German textiles has made from the recession in 1974 has been based on a programme of extensive rationalisation and investment, involving the closure of many plants and the loss of thousands of jobs.

The number of companies in textiles itself—yarns and fabric manufacture—is down from 3,600 in 1970 employing 500,000 people to about 2,000 employing 300,000 at present. In clothing, there has been a similar decline, from 381,000 employees to fewer than 280,000. There has also been a big drop in the number of home workers.

Output of yarns and fabrics has been maintained, however, largely as a result of continuing heavy investment in modern machinery which works at higher speeds and delivers high quality products suitable for export markets. Between 1974 and 1978, West Germany was the world's fifth biggest market for shuttleless looms—the basis of modern woven fabric production—behind the U.S., Italy, the Soviet Union and France.

West Germany was also the third most important market in western Europe, after Italy and Greece for ring spinning equipment and third again after Italy and France in the purchase of the newer open-end spinning equipment.

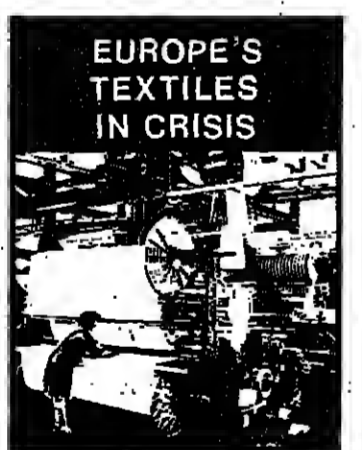
Nevertheless, though 1979 has proved satisfactory for the industry's predictions for 1980 are characterised by caution. There is uncertainty about how deep and prolonged the new recession is likely to prove and concern over current world political problems.

According to Dr. Konrad Neundorfer, director of Gesamttextil, the West German textile federation, the industry generally will be pleased if it can match its 1979 performance

this year at a time when oil price rises are likely to be squeezing consumer spending power.

One of the industry's biggest companies, Nino, is expecting only a 1 per cent rise in the market and with imports destined to grow again, competition among domestic producers for a share of the West German market will be further intensified.

The main import problem for West Germany, as for the UK and other EEC countries, will be posed by the Far Eastern suppliers, and with



world economic conditions likely to continue difficult in the foreseeable future the West German industry will be strongly supporting efforts by other European producers to secure a renewal beyond 1981 of the GATT multi-fibre arrangement, the agreement regulating world trade in textiles.

Providing some framework remains, the West German textile industry now believes that it can live with and adapt to competition from the Far East, and there is now more concern over the threat posed by textile imports from elsewhere.

U.S. imports based on access to cheap oil are beginning to enter the West German market and Greece is also expected to become an important low-cost source of supply after entry into the EEC. The West German industry is also apprehensive that the EEC may be encouraged to increase substantially the 40,000 tonnes per year quota assigned to China.

The industry also feels it

would benefit from the removal of some of the non-tariff barriers to trade within the EEC. Among the examples cited are the French insistence on labels of origin.

But although there are complaints over these and other problems, there is considerable confidence that a viable and healthy textile industry will survive in West Germany and the willingness of the industry to adapt would seem to support this.

Nino, itself, has reduced its labour force by roughly a third in the past five years to around 4,000. Faced with increased competition from imported yarns and fabrics, the company has broadened its product range and invested heavily in equipment to manufacture two difficult but currently popular fabrics, velvet and corduroy. There has also been a drive to increase exports, currently 50 per cent of output, and to find new markets. The company has developed a strong presence in the UK market. It is an important supplier of fabric to garment-makers working for Marks and Spencer.

According to Dr. Walter Ferner, the group's chairman, the industry in West Germany as a whole is faced with further rationalisation with more companies likely to withdraw from textiles and particularly clothing. Nino believes, however, that there will always be a place for plants close to the markets being supplied and able to react quickly to demand.

The most vulnerable process will continue to be clothing but here the West German industry expects to deepen its involvement in low-cost production centres mainly in the Mediterranean and Comoros.

The main losers from the outward processing of fabric and from other forms of import, as well as from rationalisation, are West German textile workers. Many more of them look destined to lose their jobs over the next decade as the industry places more and more emphasis on domestic production.

The reductions that have taken place in employment would seem to have had the effect so far, however, of helping to create a more specialised and stronger West German textile industry, well equipped to survive the continuing challenges likely to be posed during the rest of the century.

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## Strike hits Ekofisk field drilling

BY FAY GJETER IN OSLO

ABOUT 100 drilling rig workers on Norway's Ekofisk oil field have gone on strike in pursuit of pay demands. Production has not been affected, however, according to Phillips Petroleum, the field's operators.

Initially, the dispute brought drilling to a halt on only three platforms—Ekofisk Alpha, Eko-

fisk Beta and Tor—where Morco is the drilling contractor. Sinking of production wells was stopped and they were "thoroughly secured," Phillips said.

The striking rig crews want an immediate pay rise, in advance of the spring wage bargaining, but their employees have been pressed by the Nor-

wegian Employers Association, of which they are members, not to grant increases now. Drilling workers on Eldfisk Alpha, an Ekofisk satellite field, who are employed by a contractor not affiliated to the employers association, have already been granted a 20 per cent rise, effective from January 1.

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## WORLD TRADE NEWS

## East bloc 'no threat' to Europe chemical industry

BY SUE CAMERON, CHEMICALS CORRESPONDENT

WESTERN EUROPE'S chemical industries are shown to have recorded an embarking \$1.8bn surplus in business with East bloc countries, according to an unpublished study by the European Council of Chemical Manufacturers (CECIC).

CECIC has long contended that the industry in Western Europe is being hard hit by the chemical industries of countries in the East. But yesterday it admitted that it had "over-reacted" and that there was "no immediate threat" from the Eastern bloc.

The study, initiated by CECIC precisely because of its fears about the Comecon countries, shows that in 1978 Western Europe's chemical exports to the East stood at \$3bn, while the figure for chemical imports from the other side of the Iron Curtain was only \$1.2bn.

Between 1974 and 1978—the latest year for which statistics are available—the chemicals trade balance in favour of the West was more or less constant at between \$1.6bn and \$1.8bn.

The CECIC report says East European officials have "indicated" that by 1985 there will be a chemicals trade balance in their favour of \$1.7bn. But it adds that this is "not now thought" their industry and marketing capabilities will develop rapidly enough to achieve such a startling reversal of the existing position.

Yet CECIC is still deeply concerned that, in the longer term, Eastern Europe's chemical industry will present a threat to that of the West. The report notes that between 1974 and 1978, Western exports of fertilisers and plastics to the East tended to drop while imports of the same chemicals from the Comecon countries rose.

The report includes two separate projections of the chemicals trade balance between East and West Europe in 1985—a best and a worst case. The best projection shows the West's trade surplus dropping from the \$1.8bn of 1978 to \$1bn in five years' time. The worst case suggests it will drop to \$0.3bn.

Both projections assume that Western exports of commodity chemicals to the East will be reduced by around 10 per cent a year. The best case foresees Western exports of specialty chemicals growing at the rate of 8 per cent a year, while in the worst case they increase by only 6 per cent a year.

The worst case also projects a 12.5 per cent rise in chemical imports to the West from the East, the best case envisages a growth of 10 per cent a year.

CECIC's biggest worries over the Eastern bloc concern buy-back deals, which enable Comecon countries to pay for Western technology with products and prices. The report points to "the different methods of cost and price calculations in Eastern Europe which, in conjunction with buy-back deals and similar transactions, can lead to the disruption of Western markets."

Copies of the CECIC report have been sent to the European Commission together with a list of actions which CECIC proposes to take in order to deal with some of the special difficulties arising in East-West European trade in chemicals.

One of its plans is to consult the Commission—along with other national governments—in ways of "accelerating the operation of anti-dumping procedures."

## China may cut Japan's oil supplies

By Richard C. Hanson in Tokyo

CHINA'S foreign trade minister, Mr. Li Qiang, in Tokyo for an official visit, has indicated to Japanese officials that difficulties in raising oil production could force a cut on exports of crude to Japan.

Under the first leg of an eight-year trade pact signed in 1978 between the two countries, Japan committed itself to buy 7.6m tonnes of crude in 1979, 8m tonnes this year, with the amount rising to 15m tonnes in 1982. The amount represents roughly 3 per cent of Japan's total oil imports.

The Ministry of International Trade and Industry (MITI) said Minister Li did not mention any specific amount by which oil exports may be cut. China is known to have faced a slowdown in the rate of its oil production expansion after several years of double digit growth.

China produces more than 100m tonnes of oil a year, of which about 10 per cent is allocated for exports. The Japanese take the largest share of those exports. Initially, however, Japan was reluctant to take much of the Chinese crude because it contains a great deal of wax which makes it difficult to refine.

The amount of oil to be sold to Japan from 1983 will have to be negotiated sometime next year.

## RHODESIA'S INDUSTRIAL BUILD-UP

## UK companies warm up their motors

BY MARK WEBSTER IN SALISBURY

DESPITE UNCERTAINTY about the outcome of the February elections in Rhodesia, most companies with a British connection contacted here are optimistic about the future of their operations in this country.

Some are pressing ahead with expansion and modernisation plans whatever the outcome of the elections, while others say they already have sufficient spare capacity to cope with any increased demand in the foreseeable future.

The UDI years have been a blessing and a bane for industry. Sanctions forced companies to diversify, which has had the effect of broadening the country's industrial base. But Rhodesia has suffered from a lack of foreign exchange to replace outdated capital equipment. In some cases, to purchase raw materials. Sanctions have also cost some manufacturing companies their traditional export markets.

The secrecy which helped industry survive sanctions became a way of life and, although sanctions are now lifted, companies are still reluctant to give details about the scale of their operations or value of their assets.

One publicly quoted company said its turnover was classified information until it was pointed out that it was in the annual accounts.

Talbot, the motor manufacturers' Rhodesian subsidiary, is more optimistic than most about

the future, and is pressing ahead with plans to assemble the Dodge range of commercial vehicles regardless of the outcome of the elections. The company worked at only 40 per cent of capacity during UDI and is gearing up now to go back into full production, although, like many other companies, it has a backlog of unremitted profits and dividends. A Talbot official said the parent company was prepared to put fresh funds into Rhodesia.

Chase Manhattan Bank and Citibank officials in Johannesburg are competing to court Rhodesian banks in an effort to secure business after a Government is elected in that country next month. AP-DJ reports, Rhodesia has an ambitious five-year development plan, and hundreds of millions of dollars in foreign loans will be needed to finance infrastructure development, financial officials said.

BL's wholly-owned subsidiary is taking a more cautious line about the future. Before UDI it was assembling 10,000 commercial and passenger vehicles a year at its Bulawayo plant and has yet to decide on the level of activity it will maintain in the future. Provided a radical government does not get into power, BL says it is sure there will be a lively market for commercial vehicles, which it will start to assemble first, because the majority of the national fleet is still of the vintage of the 1950s.

Dunlop's wholly-owned Rhodesian subsidiary stands to get a considerable boost for its tyre plant once the car manufacturers' backlogs are cleared, but it has also diversified widely over the past 14 years into flooring, fire extinguishers, furniture, clothing—and even coffins. The company says its Bulawayo factory could increase its output substantially without replacing equipment and sees a potential export market in surrounding African countries for products other than tyres. Chloride, which is 100 per cent UK owned, has considerable spare capacity at its plant producing industrial and car

batteries and the company feels it could double its production without any immediate need to replace capital equipment. Lonrho sees its future expansion in the mining sector. During UDI the company expanded its interests and now has nine gold mines. Lonrho says it will look at the possibility of exploiting certain base metals as well.

Rio Tinto is looking to gold for its immediate expansion plans because of the high world price for the metal. A pilot plant now in operation could be expanded to handle a throughput of 15,000 tonnes of ore per month, which will

treble the company's present capacity. Substantial reserves of chrome and ferrochrome will soon be available on the open market and Rio Tinto may start a pilot plant for platinum exploitation later this year.

Turner and Newall was lifted the veil on its Rhodesian Holdings, disclosing a sharp jump in its net assets value to \$38m. There has been massive re-investment of blocked funds during the UDI years, especially in the company's mining interests. Although reluctant to talk about its asbestos mines, Turner said a \$31.3m (£261,000) expansion to the asbestos piping plant in Bulawayo will go ahead this year.

Costain's Rhodesian subsidiary believes that the construction industry has already begun to show signs of a recovery after "a couple of pretty lousy years." The company has pared down its operations over the past few years while retaining only its key personnel. But Costain is optimistic especially because many other construction companies folded during the lean years.

Rothmans and BAT lost their export market in South Africa because sanctions made it impossible to obtain the wrapping for the name brands. The two companies came to an agreement over sharing the domestic market and have considerable spare capacity.

## \$1.7bn Saudi project

BY PAUL BETTS IN ROME

A \$1.7bn AQUEDUCT is to be built in Saudi Arabia by a group of Italian, Japanese and West German companies.

The project involves the construction of two pipelines each 250 miles long to supply water from a desalination plant at Jubail, on the gulf, to Riyadh.

The desalination plant is to be constructed by three international consortia, including one with the participation of the Italian Ansaldo, Franco Tosi and Sreda groups.

The steel pipes for the aqueduct are to be supplied by the Italian state steel conglomerate Italsider, the Japanese, Nippon Steel, Sumitomo and Nippon Kokan con-

cerns and the West German Mannesmann and Hoesche groups.

The new aqueduct is expected to supply Riyadh with an additional 800,000 cubic metres of water by 1985-86.

In addition, a consortium of Italian companies has won another major Middle East contract for the construction of a desalination plant to Kuwait. The order is worth some \$100m, the state finmeccanica group said in Rome yesterday. Finmeccanica Ansaldo Meccanica Nucleare subsidiary forms part of the Italian consortium, along with Officine Reggiane and Tonolli.

## Israeli trade gap widens 62% to record £1.3bn

BY L. DANIEL IN TEL AVIV

ISRAEL'S trade deficit widened by 62 per cent in 1979 to reach a record \$3.15bn (£1.3bn). Imports of goods increased by 31 per cent to a net \$7.43bn while exports rose by 15 per cent to a net \$4.28bn.

Rises of 29 per cent in industrial exports other than diamonds to \$2.5bn and of 22 per cent in agricultural products to \$257.5m were offset in part by a 7 per cent drop, to \$1.22bn in overseas sales of polished diamonds.

An improvement was recorded in the last quarter of the year as the credit freeze began to be felt. The rate of increase in imports dropped to 37 per cent, while the growth rate of exports was maintained.

Another encouraging sign was the halving of the banks' liquidity deficits, with the commercial banks hardening their lending terms because of higher penalties imposed by the Central Bank.

Some surplus manpower is being trimmed, with unemployment now above 3.2 per cent against 2.5 per cent in the first half of the year.

Demand for service personnel has dropped. This should free manpower for export-oriented industries. Full utilisation of production capacity has been restricted in the past by inability to get manpower for second shifts at reasonable rates.

## U.S. Air Force deal lifts SNECMA engine hopes

BY DAVID WHITE IN PARIS

A U.S. air force contract for Franco-U.S. jet engines has provided what may be a vital breakthrough for the state-controlled French aero-engine concern SNECMA.

The order, worth a modest \$13.65m but potentially the starting point for a much larger market, involves the CFM-56 engine, developed on 50-50 basis by SNECMA and General Electric of the U.S. It is to be used to refit part of the USAF fleet of KC-135 tanker aircraft.

The French are counting on extending this contract to several hundred tanker aircraft and are hoping it will lead to a flood of civil orders for its engine, bringing an end to earlier doubts about its viability.

The latest deal marks another round in a battle with Pratt and Whitney, which last month lost a bid to supply engines for Air France's new-generation A310 Airbus. The final choice for the 15 aircraft which Air France has on order was a General Electric engine which involves participation by

SNECMA. The French company's eyes are now on engine replacement orders for Boeing 707s. It is proposing the CFM-56 as a more economical and quieter substitute for well-used Pratt and Whitney engines.

Even though the engine would not be built into a new aircraft, this would be a major achievement for SNECMA, which until now has been geared to the military rather than the civil market.

Several airlines have opted for the Franco-U.S. engine to refit some of their DC-8s, and tests on a B707 have been going on since November at Boeing's Seattle base. Trans World Airlines has ordered 26 Pratt and Whitney engines for its 10 Boeing 767s. Reuter reports from New York that Pratt and Whitney will supply the airline with JT9D-7R4D engines for the aircraft, which are scheduled for delivery in 1982. The engine order is worth over \$100m.

TWA said it chose the engine over a General Electric CF6-80A.

## Mexico supertanker plan

BY WILLIAM CHISLETT AND WILLIAM HALL

MEXICO IS considering establishing its own fleet of super-tankers to carry its rapidly growing oil exports. On present predictions, it could need up to 30 very large crude carriers (VLCCs) of over 200,000 dwt which would involve an investment of about \$1.5bn.

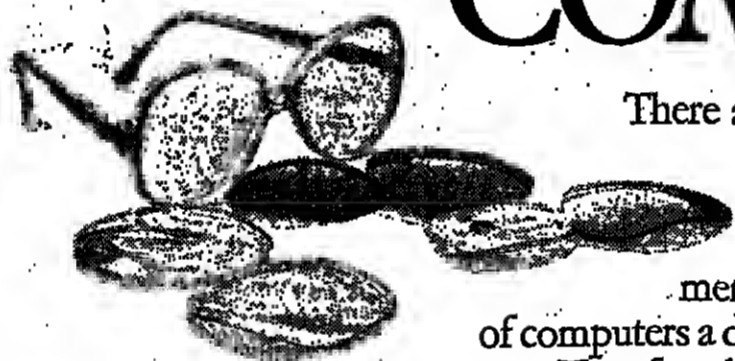
The question of Mexico's entry into the oil tanker business has arisen after a visit to Mexico City by Sir Yne-Kong Pao, chairman of World Wide Shipping Group, which controls a fleet of over 20m dwt. Mexico, in common with many oil exporters, relies heavily on foreign tonnage to carry its oil exports, but would like to diversify into the transportation end of the business.

The total Mexican shipping fleet at present amounts to 349 ships of 1.2m dwt. It includes 33 small tankers of 0.7m dwt.

Sir Y. K. Pao discussed the possible expansion of the Mexican fleet with the head of Pemex, the state oil monopoly. Mexico has still not decided whether to abandon its oil conservation policy and turn itself into a big league oil producer.

If it does expand its oil production, the development of its own tanker fleet would be a logical move. Other oil producers such as Saudi Arabia and Kuwait each have a fleet of over 2m dwt apiece. On the basis of 30 VLCCs, the Mexican fleet could soon amount to 6m dwt.

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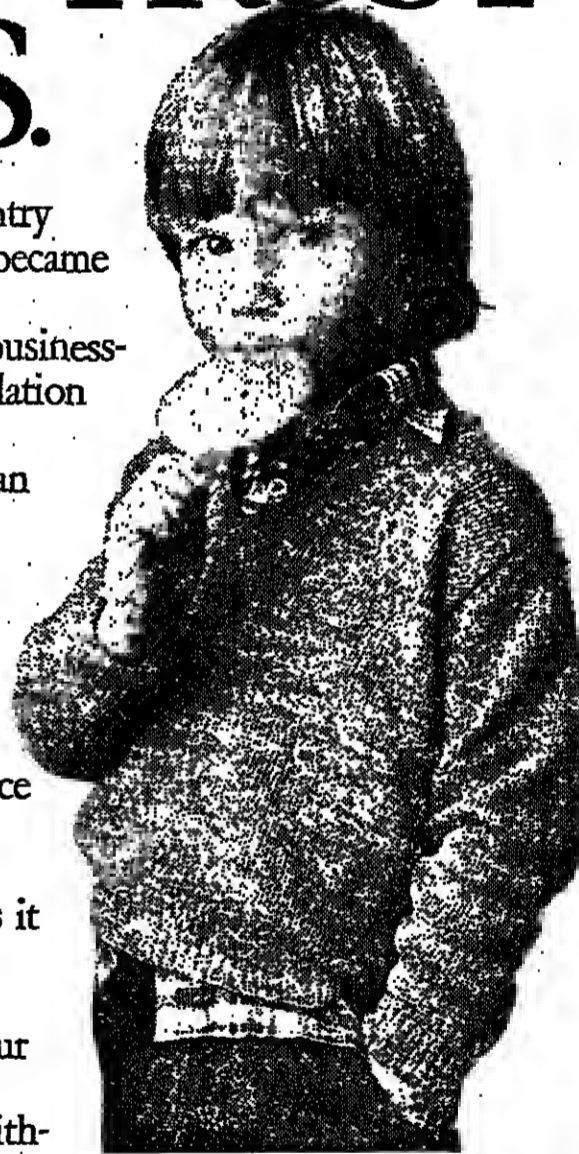
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FTI

## UK NEWS

## Marathon's Brae oil development approved

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT has approved a £700m plan to develop the southern portion of the North Sea Brae Field about 150 miles north-east of Aberdeen.

The authorisation means that there are 28 fields either on stream or under development in the UK sector of the North Sea.

Marathon Oil UK, the operator for a nine-company group with interests in the Brae Field, submitted development proposals in July. Plans include the construction of a steel platform to be installed in 1982. Production is expected to begin in 1983.

The field, one of the most geologically complex oil discoveries made in British waters, lies in block 16/7 in about 370 feet of water. Recoverable reserves in the part of the Brae Field to be exploited amount to about 300m barrels of oil and 150bn cubic feet of saleable gas. Some of the gas produced with the oil will be used for power generation on the platform.

Oil production is expected to reach a peak of about 100,000 barrels a day—roughly 5 per cent of UK oil needs. In addition, about 12,000 b/d of gas liquids will be produced.

Marathon said last night it



was in the final stages of negotiation with British Petroleum for the transportation of Brae's oil through the Forties Field pipeline system to the Grange-mouth terminal in Scotland.

The Government will keep a tight rein on the production profile of Brae. Its initial production consent will last for only four years until 1987. Marathon and its partners must then obtain permission for the next stage of development up to 1990. The system of staged consents has been adopted by the Government as a tool of depletion policy and to ensure that each field is fully exploited.

The natural gas produced with Brae's crude oil will initially be reinjected into the reser-

voir. Mr. Hamish Gray, Energy Minister, said yesterday that the gas would be exploited when a distribution route became available. It is expected that Brae will be linked to a multi-billion pound North Sea gas gathering system now being considered by British Gas Corporation and Mobil.

The South Brae reservoir is just one of a number of identified fields in an around block 16/7. The industry has found it extremely difficult to evaluate the full oil-producing potential because of the complex nature of the reservoirs.

So far 13 wells have been drilled on the Brae block and the prospects have still not been fully appraised. It is estimated that the block could contain at least 500m barrels of oil. Some analysts have suggested much higher figures.

Interests in block 16/7 are: Marathon Oil (UK), Marathon Oil North Sea (GB), Bow Valley Exploration (UK), Kaiser Exploration (UK), Sunningdale Oils (UK), Slebens Oil and Gas (UK), Saga Petroleum (UK), Lurgi (UK), and British National Oil Corporation. A small part of the field extends into the neighbouring 16/12a block licensed to the Placid Group.

## Foreign share purchases up

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

PURCHASES OF foreign shares and bonds by British financial institutions rose sharply after the initial relaxation of exchange controls last summer.

Central Statistical Office figures published yesterday show that overseas investment of all kinds by British institutions amounted to about £300m between July and September. This is equivalent to 6 per cent of institutional inflows and compares with totals of roughly £100m in the previous two quarters.

The removal of controls on the purchases by UK residents of shares and bonds in EEC countries was announced in mid-July. The purchases were both of shares and bonds, notably in the U.S., were removed on October 23 as part of the abolition of all exchange controls.

The figures show that net inflows into life assurance companies and pension funds remained at a high level in the third quarter—£2.2bn, compared with £2.26bn in the previous three months.

In the first nine months of

## INSTITUTIONAL INVESTMENT

(Life Assurance and Pension Funds)

	Net inflow	Purchases of gifts
1977	4,118	2,949
1978	7,461	3,730
1979 3rd	1,737	908
4th	1,947	679
1979 1st	2,297	1,023
2nd	2,263	1,344
3rd	2,202	1,032

Source: Central Statistical Office.

1979 net inflows amounted to £8.76bn, compared with £7.46bn in the whole of the previous year. About half this amount, or £4.39bn, was invested in gilt-edged stocks.

Total inflows into non-bank financial institutions, including building societies, in the third quarter were £4.62bn, compared with £4.87bn in the previous three months. Of this £1.89bn went into purchases of gifts.

Purchases of UK company shares fell from £570m to £306m, reflecting the state of the stock market. Purchases of property rose from £342m to £358m.

## Audit of William Press 'a charade' court told

MR. ALEC AYLIFFE, an auditor, told Bow Street Magistrates' Court yesterday that his attempts to audit the payroll of the William Press and Son Ltd. engineering and construction group were reduced to "a charade" because of opposition from the company's northern division.

On the ninth day of a committal proceedings against the company and 11 of its executives, charged with a tax evasion plot, as well as two other men accused of false accounting, Mr. Ayliffe said he told William Press' head office manager in 1976 that the company was involved in a fraud concerning a labour-only sub-contractor in Scotland.

Mr. Ayliffe, who was the company's internal audit manager, said: "I wanted corrective measures taken in other areas. In order to make my point I gave him full details of what had happened in Scot-

land. I told him there was a sham company in existence in Scotland."

He got the impression from Mr. Paul Wood, head office manager, that he would get his support but it became clear at a subsequent meeting that the management had no faith in the competence of the audit staff at head office.

Mr. Ayliffe said the managers in the northern division had raised objections to an audit he wanted to carry out as soon as they heard he was recruiting staff for the newly-formed audit department at head office. He lost his staff and had to accede to what the northern division wanted.

"The whole audit developed into a charade," he said. Mr. Ayliffe is giving evidence for the prosecution in the case in which the company and 11 of its executives are charged with a tax evasion plot and two other men are accused of false accounting.

## Plymouth site picked for medical project

By David Fishlock, Science Editor

BECTON, DICKINSON, a major U.S. company in the health care industry, will invest about £18m in an advanced manufacturing plant near Plymouth expected to employ about 350.

The Government is providing a regional development grant of £1.25m—the customary 15 per cent of the £8m capital to be invested in the project—plus another £1m as selective financial assistance. The other £6m, to be found by Becton, Dickinson, will be for working capital, stocks and other costs.

The project consists of a factory of 200,000 square feet to make: Vacutainers, disposable syringe-like devices for taking blood samples for medical tests. Becton, Dickinson hopes to be in production at Plymouth's Bellver Industrial Estate in the second half of 1982.

The device will be assembled automatically in a computer-controlled operation which involves advanced systems of quality control and quality assurance. Mr. Wesley Howe, president and chief executive, said yesterday. It is supplied in a sterile medical pack.

The factory will be a world-scale production unit, "larger than we originally intended," he said. He expects it to eventually carry out all the steps in the manufacture of the device, starting with "North Sea gas and English silica sand."

Mr. Howe denied that Government grants were the primary reason for choosing Britain. Instead, he said, Britain's technological base and production skills not readily obtainable in Ireland, together with a more stable currency. The company was also seeking easy access to the Common Market. About 75 per cent of production is expected to be exported.

After some initial misgivings within his board, Mr. Howe, lying character of the labour relations in Britain seems to us to be good by any standard."

## Engineering figures still dismal

SALES and new orders in the general engineering industries continued to show a "dismal picture" up to October last year, according to figures published by the Department of Trade yesterday.

In the department's magazine, *British Business*, it said that the industry showed no sign of recovery at the end of October, from the industrial disputes which affected the sector throughout August and September and continued into the first week of October.

Total sales fell by 10 per cent (seasonally adjusted) during the months August to October, compared with the previous three months with exports falling by more than 11 per cent.

However, the department said that unlike home new orders the trend of new export orders turned up in September. This, it said, appeared to be the only genuinely encouraging element in the present situation.

"This," said the department, "has had no impact upon the trend of export orders in hand as yet, but a steady upward movement is visible in the seasonally adjusted series for orders in hand over the latest three months."

## Change our poor status, says Dell

BRITAIN'S ROLE in the European Community "has been less constructive than it should have been because of our economic weakness. For that we have no one but ourselves to blame," declared Mr. Edmund Dell, Trade Secretary in the last Labour Government, and now chairman of chief executive of the Guinness Distillers Group, in London last night.

"It is hardly the most stirring cry with which to move Europe to proclaim, as our leaders so frequently do, that we are not the third poorest member of the area, let us rectify it, not exploit it," he told the London Stock Exchange in a lecture, "Priorities for Europe."

Moreover, it is understandable if some of our partners point out that our resources as undermining the urgency of that particular claim.

## Lakes inquiry

LAND around Ennerdale is being affected by leaking water pipes, the two lakes inquiry at Whitehaven in its seventh day—was told by local objectors. Mr. James Rickerby, an Ennerdale farmer, said: "The pipeline is leaking from every joint, and it is flooding areas of my land."

## Games review

The BBC and IBA will act jointly in reviewing their planned coverage of the Moscow Olympic Games if it becomes necessary. "This review would take account of any changes in the nature of the Games or of British participation in them," they said.

## Howe offers hope of improvement in the economy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SIR GEOFFREY HOWE, the Chancellor of the Exchequer, yesterday offered the prospect of an improvement in Britain's economic performance.

In a speech to the Finance Houses Association in London Sir Geoffrey was distinctly less gloomy about the medium-term outlook than Mr. John Biffen, the Chief Secretary to the Treasury who warned last weekend of three years of "unparalleled austerity."

Sir Geoffrey said that the UK faced "at least another year of uncomfortably high inflation and pressures on resources. But I can and do offer the prospect of improvement. We have taken the important steps towards making the necessary changes in the balance of the economy. These will bear fruit in the years ahead."

Monetarism alone was not enough to restore the economy, he said. There must also be changes in the way the economy is run, investment and jobs were not to be jeopardised.

"We must strive to secure the widest possible understanding of our economic and monetary policies by spelling out to trade unionists, employers and the rest of society, the unemployment

consequences of any attempt to overthrow the monetary discipline to which we are committed and which any responsible Chancellor must maintain," said Sir Geoffrey.

Sir Geoffrey rejected suggestions for more direct controls over bank lending. He said there was "in the end no alternative, by means of controls however subtle, to allowing the market to balance itself. In a sophisticated financial system, alternative channels are rapidly developed outside any system of quantitative controls that seeks to constrain the level of credit extended below that demanded at the current level of interest rates."

Referring to the government's forthcoming consultative document on monetary control the Chancellor said: "I hope this will enable us to have a better informed public debate about the best way in which the authorities can influence the banking and monetary systems."

"The notion that we can for any sustained period achieve higher output by increasing Government borrowing and spending is one which has been a principal engine of inflation. The blunt truth is that we can no longer spend our way out of a recession—if we ever could."

## OBITUARY

## Sir James Woodeson



Sir James Woodeson

SIR JAMES WOODESON, who died on Wednesday night, was chairman of Northern Engineering Industries, the company he was instrumental in creating in 1977.

He had served on the Board of one of the two major companies which formed NEI, boiler-makers Clarke Chapman, since the age of 21. He joined it at 16 after an education at Oundle. His father, William Woodeson, had been chairman for some years.

Sir James remained with Clarke Chapman throughout his life, except for service with the Royal Artillery from 1939-45. He was wounded and imprisoned during the war, but was repatriated due to the severity of his wounds. He later served in the Special Operations Executive and was awarded the OBE.

He returned to Clarke Chapman on demobilisation and was made chairman in 1949. In the late 1960s and early seventies, he presided over a series of mergers and acquisitions of crane, bridge building and structural engineering companies. Two of the largest of these was the acquisition of the West Midlands company of John Thompson, and the UK manufacturing interests of the U.S. company, International Combustion.

He became a director of the Newcastle company, Reynolds Parsons—a turbine generator and switchgear company—and was appointed chairman in 1974. The two companies, which worked together closely as a number of power plant contractors were seen as natural allies.

But the companies formally joined only in 1977, when, prompted by the then Labour Government, a merger was proposed between Clarke Chapman and the Renfrew-based boiler-making division of Babcock and Wilcox, and between Parsons and the General Electric Company's turbine generators division.

Though the Babcock/Clarke Chapman merger was all but agreed, the Parsons unions, backed by the powerful group

of Labour MPs in the north-east, refused to countenance GEC control believing that large-scale redundancies would follow. Thus NEI remained independent of other links and has managed to survive over the past two years with relative success.

Sir James was given much of the credit for making the new company widely known, especially abroad. It received substantial domestic power plant orders and is attempting to show equal success in overseas markets.

Leading figures in the two other power plant companies yesterday spoke of Sir James' personal kindness and courtesy and commended particularly the straightforwardness of his business dealing. While there naturally remains doubt among competitors that the NEI merger was the correct solution to the problems of the UK's power plant industry, all agreed that Sir James pushed it through forcefully and achieved significant success.

Sir James was awarded the CBE in 1972 and a knighthood in 1976—both for services to exports. He is survived by Lady Woodeson.

## Silver and jewels are top Sotheby's attractions

TWO SALES at Sotheby's yesterday showed the impact of the greater interest in precious metals—silver in particular—since the capital transfer tax, as to be allocated to the National Gallery of Scotland.

Edmund Pennington-Nowell wrote: The first fine silver sale at Christie's for two months showed that the downward trend in prices evident last year is continuing, though not dramatically. After rising further in the first half of last year, prices have returned to the top levels of 1978. Some, particularly the first-growths, which are always the subject of speculation, are currently lower.

by Rubens, which has been accepted by the Treasury in lieu of capital transfer tax, is to be allocated to the National Gallery of Scotland.

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## SALEROOM

BY ANTONY THORNCROFT

Last '81, which last year rose from £660 a dozen to £840, was back to £620, and Cheval Blanc made £500, compared with £540. Among the '86s were the top 1978 prices in brackets. Petrus went for £500 (£580), Lafite £300 (£230), Mouton Rothschild £280 (£290) and Latour £240 (£230).

Lesser class growth '86s and '70s showed relatively smaller declines, and were of much the same levels as 12 months ago, but still noticeably below last year's best. However, with no lack of foreign and home trade buyers, there was no reluctance to bid and nearly all lots were sold.

The day's total for the sale was £90,000.

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# Telford

# Why is Britain's Society of Motor Manufacturers and Traders going to Mexico to help the sales of French, Italian, German and Communist car manufacturers?

**A delegation from the Society of Motor Manufacturers and Traders will be flying to Mexico soon to meet the Japanese Automobile Manufacturers' Association.**

They intend to pressurise JAMA yet again in order to obtain restrictions, for the fifth successive year, that will perpetuate for Datsun UK and their 400 dealers difficulties with cash flow problems, with levels of employment and with stock to supply customers in Britain.

Since 1975, other importers from France, Germany, the Communist Bloc and anywhere else have been laughing up their sleeves at the restrictions on Datsun and other Japanese manufacturers, and have been pouring cars freely into Britain.

As a result, imported cars now account for almost 60% of the UK market instead of 30% five years ago. And still, it is the Japanese who are used as a scapegoat, even though their market share has stuck rigidly around the 10%—11% mark, while other imports have taken off like a rocket.

So, what mandate does the SMM&T have to go to Mexico this January?

They ignore completely that the policy of the former administration, to use Japan as a diversion for their economic problems, is no longer fashionable. We have a new Government and new policies in operation.

1. This Government has stated many times that they believe in free trade and in freedom of choice.

QUOTE:

"...the UK Government has not been involved, nor is there any numerical restriction imposed by the Government on the imports of Japanese cars."

2. The Motor Agents' Association, which represents 19,000 garages in Britain thinks it is time to be realistic. That stance has been endorsed by a committee of members representing every make of car from Austin/Morris to Volkswagen.

QUOTE: From their Director General, Mr. Alan Dix: "Since the Government has now categorically stated it is not involved in restrictions on Japanese cars, it is time for the SMM&T to sit down with JAMA and find a way out of the impasse which is affecting the livelihood of thousands of people who sell and service Japanese cars in Britain."

3. Prominent Members of Parliament see the futility of the present situation.

QUOTE: "...it is pretty obvious now that the major threat on imports comes from Europe."

QUOTE: "...there is not much point in restricting Japanese imports merely in order that the British market can be flooded with Fiats, Renaults and Volkswagens."

Yet that is precisely what the SMM&T flight to the sun is going to achieve. Travelling with them, at the taxpayers' expense, is a top level representative of Leyland. They are asking for assistance for a fifth successive year to promote the higher penetration of French, German, Spanish and other imports!

If they were really concerned to help the British economy and to aid the recovery to full health of BL, they would inevitably have asked for friendly co-operation and understanding from manufacturers on the other side of the Channel. The Common Market regulations even have in mind such co-operation. Bearing in mind the reaction on lamb and fish, they may not have obtained the co-operation but at least it would have been worthwhile to try.

They have not done so. They would rather allow 750,000 cars from France, Germany, Italy, Spain etc. to flood the market, paying no duty at all, than to allow Datsun the 15,000 cars that are desperately needed to

build up our depleted stock to the minimum level accepted throughout the motor industry, and to satisfy our customers.

We have advised the SMM&T again and again that if cars were not shipped to enable us to build up stock in January and February, sales would automatically go to other importers from the EEC, and not to BL. And that is precisely what has happened. Datsun registrations this month are half their normal level at a little over 3%, the Japanese total is only 7% and yet imports once more account for 60% of the market with Renault and VW the highest they have been for years. BL's market share is currently less than 16%.

When we asked the SMM&T to help our situation by approving shipments of our 1980 allocation in December rather than January, they replied that "the Society could not take any action on the lines you requested."

They really don't see the wood for the trees. And they continue to kick Datsun even though we are members of the SMM&T and pay a very substantial fee to belong to their "Club."

They should study the facts more closely. And so should BL.

Since 1975, when we were first asked to restrict imports, this has happened.

## SHARE OF UK CAR MARKET

	1975	1976	1977	1978	1979
BL share	30.88%	27.43%	24.33%	23.48%	19.68%
Imports	33.23%	37.94%	45.38%	49.32%	56.28%
EEC Imports	20.34%	24.99%	31.14%	32.81%	38.20%
Japan	9.04%	9.44%	10.61%	10.96%	10.78%
Other importers (EFTA, E. Europe etc.)	3.85%	3.51%	3.63%	5.55%	7.30%

Where would YOU say BL's lost market share has gone?

In the last three years alone, importers from France, Germany and Italy have increased their sales substantially, and announced their targets for 1980.

	Sales 1977	Sales 1978	Sales 1979	Target 1980
Renault	55,900	69,600	93,500	125,000
Volkswagen	46,000	63,200	76,300	100,000
Fiat	66,000	72,200	70,600	100,000
Peugeot	22,600	31,300	38,000	60,000

## So, why is BL going to Mexico?

- (a) They claim there is "a tremendous but lessening, imbalance in trade between Japan and Britain." So there is. There is a tremendous, and *worsening*, imbalance of trade with a dozen countries. The situation is much worse with Germany, France, Italy etc. than with Japan.

## IMBALANCE OF TRADE UK DEFICIT (11 months 1979)

West Germany	£1,532 million
Italy	959 million
France	953 million
U.S.A.	876 million
Japan	831 million

Britain's deficit with Japan represents only 1.86% of our total import bill on visible trade. What is *not* shown is that this deficit is very substantially reduced by a favourable balance on invisible trade with Japan, which is certainly not the case with Germany, France etc.

If, for cosmetic reasons, it is thought necessary to improve the balance, it could be done in the same way that the figures with Germany, France and other countries were, 'improved' by selling North Sea Oil, which the Japanese would be very eager to buy.

- (b) To justify the anti-Japanese stand which they take, the SMM&T and BL say that sales of British cars are much

better in Europe than in Japan. The facts do not substantiate that.

If we look at the major European manufacturing countries we see that Germany exports 25 cars to Britain (and expensive cars at that), for every one they import from Britain; France exports 11 for every one they import; Sweden exports 52 for every one they import; Italy exports 7 for every one they import; Spain exports 44,000 and imports nothing!

The fact is that British cars have 0.6% of the West German car market, and Germany has 13.6% of the UK market; Britain has 1.5% of the French market and France have 11.5% of the U.K. market, and so it goes on.

Then there are these facts to note:

FACT: BL sells *MORE* Jaguars in Japan than in either France, or Italy, or Belgium, or Holland, or Switzerland, or Sweden! And only 30 less than it sells in West Germany!

FACT: Britain sells *MORE* cars to Japan than it sells to European countries like Austria, Norway, Finland or Sweden, and almost as many as to Switzerland and Denmark.

FACT: With major car producing countries of Europe our import/export figures are these:

	1979 (11 months)				
	West				
	Sweden	Germany	France	Italy	Spain
They sell us:	40,396	285,855	198,313	96,603	44,190
We sell them:	778	11,235	18,096	14,103	NIL

- (c) They represent, incorrectly, that EEC manufacturers use UK sourced components in their cars while Datsun do not.

	Cars sold in UK 1979	UK components used
Renault	93,468	NIL
Fiat	70,626	NIL
Peugeot	37,980	NIL
BMW	14,058	Insignificant
Mercedes	7,914	Insignificant

By contrast, Datsuns are all supplied with Dunlop tyres made by a Company which is 50% British, they use British upholstery, British seat belts and other UK components to a total of around £10 million a year.

It must be impossible to try and continue for a fifth successive year to fool anyone into believing that further restrictions on Datsun are the way to help BL or the British Motor industry to recover when other importers have such high sales in the UK market, and such massive plans to expand. Unlike European importers who are taking the maximum advantage from the situation to push cars into this country, Datsun UK has undertaken publicly that there are no plans for major expansion. All we have asked the SMM&T is to be allowed to build up our stock to normal operating levels so that we do not continue to jeopardise our dealers and their employees to the sole benefit of other foreign importers.

Instead, they use our subscription funds to continue to manipulate JAMA to obtain these unfair restrictions and then do not have the courage to say they have done it. A letter from the SMM&T to Datsun states categorically "the Society is not involved in any negotiations or agreements on specific levels of shipments."

Is it not time to stop this charade?

The SMM&T's actions are not helping the British economy, they are not helping BL to recover, they are not helping Japanese importers and dealers who are members of the Society and they are not helping the customers in Britain.

And the SMM&T know that as well as we do.

So again we ask, why on earth are they going to Mexico?

**Datsun Dealers' Associations  
and Datsun U.K. Limited**

NEW ROAD, WORTHING

## UK NEWS

## Labour wants insider gains 'disgorged'

BY ANDREW FISHER

LABOUR intends to press for a toughening of the measures against insider dealings in the new Companies Bill when the report stage is reached in Parliament late next month.

The move will form part of the various amendments which Labour will table during the debate on the bill, which is expected to receive the Royal Assent and become law by Easter.

Although the bill makes insider dealings a criminal offence for the first time, Mr. Stanley Clinton Davis, Labour's chief spokesman on company law, said it does not go far enough in this area.

Those benefiting from the use of inside information should be made to hand back the proceeds once discovered and prosecuted, he added. "I don't see why a person shouldn't have to give up his ill-gotten gains."

Labour will accordingly move an amendment on "disgorgement," the term used for such

repayments, and also propose that civil as well as penal action against insider dealers be provided for.

Mr. Clinton Davis, a former under-secretary of state at the Department of Trade, said Labour wanted more inspectors to be appointed at the department to help to crack down on insider dealings. The government has denied the need for this.

Labour will also ask for an amendment making holding companies responsible for their subsidiaries' debts, unless they have issued a previous disclaimer.

Waiting for the Cork committee on insolvency law to report, as the government has already decided, would take too long, he added.

The opposition hopes the clause laying down that companies should have regard for employees' as well as shareholders' interests extended to

give members of the workforce some right of action if necessary.

These matters were all aired during the bill's committee stage, which ended last month, but Mr. Clinton Davis said the opposition felt that new, complex clauses had been introduced too rapidly.

"There is no question that we are attacking the government on the bill's principles, but we shall be raising issues on detail," he said. The previous Labour government's own legislation, extending the main 1949 and subsequent companies acts, founded when it lost the last general election.

Another Labour amendment will seek to allow shareholders formally to register their disapproval of political party contributions by companies. Mr. Clinton Davis, who is member for Hackney Central, said the government had also not gone far enough in guaranteeing the rights of minority shareholders.

## Local authorities unite to fight block grant plan for rates

BY ROBIN PAULEY

CONSERVATIVE and Labour members of the Association of Metropolitan Authorities united yesterday to fight the Government's plans for a new block grant system in the Local Government Planning and Land Bill due to be published today.

The Conservative-controlled body representing major cities in England and Wales and the London boroughs decided to continue the battle against block grant although Mr. Michael Heseltine, Environment Minister, has so far rejected all its arguments. The AMA will try to obtain amendments to the Bill as it passes through Parliament.

"We shall be meeting the Minister again on Tuesday and we shall be approaching our vice-presidents in Parliament. I beg and plead with very individual member authority to lobby their own MPs. It is truly important," Sir Geoffrey Taylor, chairman, said.

Mr. Jack Smart, leader of the association's minority Labour group, supported Sir Geoffrey's call, saying local governments faced greater difficulty than ever before.

## Original

The original Bill was introduced in the Lords last year but was hastily withdrawn after strong protests that so important a piece of legislation must be introduced in the Commons. About 70 deletions have been made, but the principle of block grant remains in the new Bill.

It would replace the rate support grant system with a system of assessing each authority's needs, either by formula or by a compilation of the costs of providing services.

A standard rate would be levied by each local authority. Block grants would make up the gap between rate revenue and the authorities' spending estimates.

All the local authority associations are Tory-controlled, but strongly opposed to the plan. The Government will specify the actual level of expenditure and the actual level of rate to be levied by each individual authority. That is the danger," Sir Geoffrey said.

## Happier

He was happier about the changes to the sections of the Bill dealing with control of capital expenditure announced earlier this week by Mr. Heseltine. They would produce greater freedom for local authorities to vary, within their total limit, the areas on which they spent their money.

"However, there are still features which give us concern including the power for the Secretary of State to give directions to individual local authorities and to exercise a positive control," he said.

Sir Geoffrey also agreed to press the arguments against the present national rate poundage figure when he meets Ministers on Tuesday.

The Bill will allow the Secretary of State to penalise local authorities which exceed the set rate level. The present national figure, set by Mr. Heseltine last year, is 119p. So many authorities—a lot of them Tory—are expected to exceed this figure that it looks to be completely impractical. A leeway of 10 per cent is now likely, bringing the national figure up to 130p before penalties are considered.

## BREAKFAST TV MAY BE INTRODUCED

## IBA seeking bids for new regional contracts

BY ARTHUR SANDLES

INDEPENDENT Broadcasting Authority plans for commercial television in the 1980s include the possibility of a national breakfast time television system.

While keeping to the present basic 15 company, 14 area system there are changes to some contract areas which are now open to bids.

Lancashire, currently held by Granada, will have its area reduced. The Midlands, now ATV, will be divided geographically, with one company having to provide separate identity services in the east and west. A similar system will be introduced in the south where coverage will grow with the acquisition of the Medway towns from London.

The introduction of dual coverage areas in the Midlands and the South will mean that any future contractor will have to provide extensive studio facilities in both parts of their areas. This system is currently in use in Wales and the west country.

The IBA appears to have given a clear indication that Trident Television cannot continue to hold both Tyne Tees and Yorkshire while in London the weekend contractor will get a two-hour earlier start on Friday evening.

## Higher rental

Rental fees are to be increased considerably, even in current price terms. The London weekday TV channel—now operated by Thames—will have to pay £5.5m a year against the present £3m. It might also have to subscribe £1.1m a year to the fourth channel—a project to which there is very little reference in the IBA proposals.

Particulars of the contracts are being issued by the IBA in advance of the Government Bill which gives the authority legal powers to go ahead. But, with only 23 months to go before the new franchises start, the Home Secretary has given the IBA the

green light to advertise for bidders.

Detailed particulars of the six year contracts are available to applicant groups. The closing date for applications will be May 9. Advertisements will appear from next Thursday.

The authority hopes to award its new contracts at the end of this year, to give contractors a further year to complete their arrangements. This assumes that the necessary legislation is passed.

Contract particulars provide for subscription from the contractors for the financing of the fourth channel, which the IBA hopes will be on the air at the end of 1982.

The establishment of the Midlands and the south of England regions as "dual regions" is one of the major changes. The companies appointed for these regions will be "expected to recognise their regions' dual nature in their Board structure and supervisory management and possibly in their shareholding."

## Message

This message from the IBA clearly has considerable implications for ATV and Southern as they prepare their bids to retain their contracts.

"At the new studio centres the authority will require the appointment of adequate strength and status to ensure a satisfactory service of local programmes independent of the rest of the company's output, as well as those intended for wider showing," said the IBA.

In terms of specific areas there are a series of transmitter changes which will affect the numbers served by any particular franchise area.

The main Bluebell Hill transmitter, which primarily serves the Medway towns, will switch from the London region to the South and South-East England region. The Borders area will gain from the reallocation of

relays at Coniston, Grasmere, Kendal, Windermere and Sedburgh from the existing Lancashire region, which will in future be called the Northwest region.

Relays at Cornholme, Todmorden, Walsden and South Walsden will be moved from the existing Lancashire region to the Yorkshire area, and the west of England region will take over the relays serving Marlborough from the south.

## No guarantee

As far as breakfast-time television is concerned, the Authority says it is prepared to consider applications, but it gives no guarantee that such a contract will ultimately be offered. If there were such a contract, it would apply from 6 am until 9.15 am. The IBA thinks broadcasting would normally start at around 7 am and programmes would be transmitted every day of the week, including Sunday.

The contract would be for a service consisting primarily, but not exclusively, of news, information and current affairs. The IBA also says applicants will be asked questions about what their relationship, if any, would be with ITN and what ideas they might have to introduce regional elements into the service.

"Any breakfast time contractor would have to pay a realistic rental to the authority—at least £500,000 to start with—subject to variations at two yearly intervals in the light of reviews."

The breakfast time company, however, is not likely to have any part to play in the fourth channel and would not have to pay towards its cost.

The authority intends to hold a series of public meetings throughout the country during the latter half of the year at which the public will be asked to comment on published applications.

## Call for worker consultation

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CALL for the Government to introduce legislation requiring all companies to introduce systems of employee communication and consultation was issued last night by Mr. Geoffrey Chandler, director-general of the National Economic Development Office.

He said that the "human foundation of industry" had to be tackled to improve the performance of individual companies.

"I am now convinced that nothing short of legislation will provide what is required, and I strongly advocate such legis-

lation," he told the Aberdeen Chamber of Commerce.

The legislation should concern itself with the "broad objective of setting up consultative and information systems in every company in the land."

This is the second time in the past few months that Mr. Chandler has delivered speeches which are not in line with the Government's policies. Last autumn he said that the Government should develop a positive industrial strategy which would include a considerable degree of State intervention.

Last night he said that the

Government should provide selective financial assistance to industry and stimulate new investments.

"The Government should help to develop the market mechanism for the market mechanism," he said.

Mr. Chandler also mentioned the need for legislation on employee participation in the company. He said the Government's policy was to encourage such participation, but he said that the Government should consider the need for legislation to encourage such participation.

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## Redifon wins £25m Boeing contract for simulators

BY LYNTON McLAIN

REDIFON SIMULATION of Crawley has won a £25m contract to supply flight simulators to the Boeing Commercial Airplane Company of Seattle for its entire family of airliners for the 1980s.

The order calls for 10 simulators for pilot training to be supplied to Boeing for the new B737 and B747 airliners, for installation in mid and late 1982 as well as for the existing Boeing 727 and B737 airliners.

It brings Redifon's order book to £50m, of which 50 per cent is for export.

Mr. John Yeomans, the managing director of Redifon Simulation, said yesterday in London that the order was

easily the biggest ever placed for civil flight simulation equipment. The contract over the next three years will account for a quarter of Redifon's simulator production.

The order, which was won partly on the basis of Redifon's performance in delivering on time and on specification last year a flight simulator for Boeing's 747 jumbo jet, makes Redifon Simulation the first company to be asked to simulate the entire Boeing family of airliners for the 1980s.

Mr. Yeomans said the B747 work—completed in 21 months "against a 'normal' period of 24 months from order to installation—established Redifon's in-

tegrity with Boeing. "We have won this contract because we have the technology and engineering skills to build the best flight simulators in the world."

Redifon Simulation, the largest manufacturing subsidiary of the Redifusion Group, faced competition for the orders from the Link Division of the Singer Company of New York State and from CAE of Montreal, the western world's other major simulator maker.

Group Captain Hugh Dundas, chairman of Redifusion, said the order was a tribute to British technology in a field where technology is "at the very highest level."

## APPOINTMENTS

## Reshuffle at Wilkinson Match

FOLLOWING THE reorganisation of Wilkinson Match's UK consumer product businesses to combine the strengths of Wilkinson Sward and Bryant and May under one operating Board, Mr. R. H. Arncliffe, formerly managing director of Bryant and May, the match subsidiary of Wilkinson Match, assumes the position of deputy managing director, UK CONSUMER PRODUCTS. Mr. P. J. Walker becomes financial director, and Dr. M. D. Sanderson planning director.

In marketing and manufacturing, Mr. G. D. Middleton is appointed group manufacturing director. Mr. I. W. G. Brook, group marketing director (lights), Mr. D. R. Gately, group technical director, Mr. D. R. Taylor, group marketing director (personal products), and Mr. B. J. Stacey, UK marketing director (hardware and housewares). Other appointments include: Mr. P. D. J. Jolliffe, UK export director; Mr. F. J. Baker, UK supply director; Mr. C. R. Milburn, UK personnel director; Mr. M. C. Downey, financial controller UK region consumer products; Mr. N. F. Nicholson, operations director UK region consumer products and UK packaging; and Mr. J. Vesper, group project controller. See Company News on Page 18.

Mr. Geoffrey E. J. Gregan has been appointed chief executive of the E. ALEC. COLMAN GROUP OF COMPANIES.

Mr. John A. Colling, managing director, Wright Air Conditioning (Birmingham) and Mr. Kennedy F. Dalton, managing director, Wright Air Conditioning (Stroud), Glasgow, have both joined the board of the holding company, Wright Air Conditioning (Northern), Leeds, director and general manager.

Mr. Eddy Dalton, has been appointed managing director. Mr. Christopher J. Harris, director, has been appointed managing director of Wright Air Conditioning (London), Lewisham. Mr. Alan McLaren, who joined the company as sales manager in 1977, becomes sales director. Mr. Alan Hayward, services manager since 1978, has been appointed to the board of Wright Air Conditioning (Birmingham).

At MELLON NATIONAL CORPORATION five senior executives have been made directors and members of the office of the chief executive for both the Corporation, the Pittsburgh-based bank holding company, and the Mellon Bank N.A., the principal unit of the corporation, effective immediately. Mr. J. David Barnes is president of the Corporation and the Bank, succeeding Mr. Curtis E. Jones who retired on December 31, 1979. Mr. Barnes will succeed as chairman and chief executive officer upon the retirement of Mr. James H. Higgins in February, 1981. Mr. George T. Farrell is vice chairman of the Corporation and the Bank. Mr. Robert B. Gluski, Jr. is vice chairman of the Corporation and the Bank. Mr. Silas Keen is vice chairman of the Corporation and the Bank. Mr. Christian Lantieri is vice chairman of the Corporation and the Bank.

BUSINESS RISK AND INSURANCE MANAGEMENT COMPANY (BRIMCO) has appointed Mr. David Thirkell as executive officer in charge of captive reinsurance management. Mr. David Goodman becomes vice president.

Mr. J. H. Pattison, Mr. A. J. P. Simon and Mr. C. W. M. Wilson have been appointed to

the Board of HUME INVESTMENT TRUST COMPANY.

Mr. J. M. Whisker has been promoted in the new post of director and general manager of FENNER INTERNATIONAL. Mr. M. J. Storey and Mr. G. R. Hart have also been appointed to the Fenner International Board.

PIGEON DE SMITT, stockbrokers, has formed an associated company, Pigeon Financial Services, of which the directors are—Mr. J. H. T. Barley (chairman and managing director), Mr. J. A. South (executive), Mr. R. L. Hicks (executive), Mr. G. A. Aldridge, Mr. R. E. Evans, Mr. D. W. Gibbs, Mr. P. M. Leslie-Smith, Mr. A. D. Read and Mr. E. J. T. Hawkins (secretary).

Mr. Tom Pollard has been appointed works director at ACROW (ENGINEERS).

Mr. J. Michael Dorr has been appointed sales director for MASSEY-FERGUSON INDUSTRIAL MACHINERY.

At J. H. MINET AND CO. Mr. J. H. Minet becomes managing director, production and marketing. Mr. R. E. Stedman, Mr. M. E. Brooks, Mr. P. B. Foster, Mr. J. T. Gore, and Mr. E. J. Hayes become divisional chief executives. Mr. C. R. Dixey becomes managing director, marine division, and Mr. J. Hyman, managing director, benefits division. Mr. R. Lawrance has been appointed finance director and Mr. E. G. Deaman, deputy chairman.

GENERAL ACCIDENT marine and aviation department has made the following appointments: Mr. R. R. Potter, deputy underwriter (marine) and Mr. D. J. Turner, assistant marine underwriter.

## Employment Bill 'will be used against workers'

BY OUR LABOUR STAFF

THE GOVERNMENT'S Employment Bill will have highly damaging consequences and was designed as a "stick" to be used against workers, Mr. Ken Graham, TUC assistant general secretary said yesterday.

"It would undermine the TUC's own rules for sorting out inter-union disputes, remove many established rights of individuals and could disrupt the harmonious industrial relations that existed in many companies."

Speaking at the Institute of Personnel Management conference in London yesterday Mr. Graham said individuals who opted out of union membership altogether or switched from one union to another would "remove the foundations of the TUC's principles for trying to maintain stable trade union structures."

Employers and unions would be increasingly dragged by individuals before tribunals and the courts as a result.

Mr. Graham said that by offering ballot subsidies in clause one of the Bill, the Government thought it was dangling a "carrot" in front of the unions.

"But the union movement knows," he said, "that the 18 clauses of the Bill are, in fact, a 'stick' to be used against workers, unions and sensible employers."

"People will come to see this just as they now see the truth behind the Government's economic policy, where the cuts in social services, soaring inflation and rising unemployment came after a sweet dose of income tax cuts."

There had been secret ballots

in unions for many years, said Mr. Graham and the TUC supported and advocated the principle of ballots at the discretion of unions. There was certainly a place for ballots but they were not desirable in all circumstances and were not without their difficulties.

"However, this so-called Employment Bill is not about ballots. Nor is it about providing jobs for the growing number of unemployed or improving conditions at work," Mr. Graham said.

"It would remove many established rights of individual employees — about one million have already had their protection against unfair dismissal taken away by government regulations."

"The Bill will also remove legislation introduced by successive governments over the last 40 years to protect individual workers against unscrupulous employers who undercut fair wages paid to workers doing the same job elsewhere."

Mr. Pat Lowry, personnel and external affairs director of British Leyland, said the repeal of Schedule 11 of the Employment Protection Act of 1975 would lead to increased fragmentation of collective bargaining particularly in industries like road haulage. There was a strong feeling of concern about the move among management.

Mr. Astley Whitall, chairman of the CBI's Employment Policy Committee, said he was personally sceptical about the 80 per cent vote required under the Bill's provision for implementing closed shop agreements.

## Pickets' 20% cries haunt union leaders

Alan Pike looks at the strikers' attitudes to a settlement

HECKLING AND cries of "20 per cent" greeted Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation, at a Sheffield rally this week when he voiced his hopes of negotiating an honourable settlement to the national steel strike.

Some, at least, of the types of steelworkers who march through snow to rallies received the word "honourable" as a disguised synonym for "sell-out." Such views do not necessarily represent majority opinion. But now the British Steel Corporation and some of its unions have been brought together for exploratory talks, a new question is raised. What would the steelworkers, called out three weeks ago over a "derisory" 2 per cent offer, now regard as an acceptable settlement?

Union leaders made it clear at the abortive peace talks led by Mr. Len Murray, TUC general secretary, soon after the strike started that 13 per cent was their base line — although this did not find universal favour with local strike leaders. Mr. Sirs himself raised the spectre of 20 per cent when, soon afterwards, he toured Teesside picket lines and gave a warning that attitudes were hardening.

Visiting some of those picket lines this week, it is clear that attitudes are hard among the activists who put the most per-

sonal energy into running the strike. Mr. Sirs' reference to a settlement of about 20 per cent has not been forgotten on the picket lines — instead it has been fired-up into a strong demand. "Twenty per cent" is that frequent, staccato reply when pickets are asked what they are seeking from the strike.

As strike leaders are aware, however, only a minority of strikers are taking an active part in picketing. Most spend the period of enforced idleness at home, and their minimum conditions for an acceptable settlement are much more difficult to predict.

Mr. George Teale, vice-chairman of the strike committee at Scunthorpe, is satisfied that he and other strike leaders are in touch with their members when they voice the 20 per cent demand.

"We are calling branch meetings every week. Attendance is good, as you would expect — this is the big issue for all of us. When we say the steelworkers want 20 per cent we are speaking for our members in a traditionally non-militant area. This is genuine feeling and we will expect our negotiators to take it into account if peace talks resume."

Not everyone agrees. One Scunthorpe Iron and Steel Trades Confederation member, Mr. Roger Cuckow, believes that workers in the town would be prepared to go back on the

basis of BSC's proposals which were rejected by Mr. Sirs and his fellow negotiators — a self-financed 8 per cent plus a guarantee of local productivity schemes being worth at least 4 per cent more.

Mr. Cuckow and a few like-

way the strike is being handled in Scunthorpe.

In any case, the question of what the future will hold for Scunthorpe after the dispute is as much a talking point with steelworkers as the terms for settling the strike. Steel has

Mr. Don Ford, works director at Scunthorpe, says that on the basis of BSC's current pay proposals the surviving workforce would stand to gain 15 per cent pay increases. To finance most of this the 2,800 redundancies would have to be achieved on a strict timetable by the end of this year, with a further 3 per cent on savings from such things as reduced overtime, less absenteeism and energy saving.

But he gives a warning that Scunthorpe, a plant which has been doing relatively well in spite of the wider problems of BSC, will have lost more by the end of this month than in first nine months of last year. Even if the strike ends soon it will take at least a month to bring the plant back into full operation, adding further to the loss, which Mr. Ford says is running at £2m a week during the strike.

Scunthorpe has, as its management accepts, a reasonable productivity record with some of the lowest manning levels in the corporation. This provokes strike leaders such as Mr. Teale to brand the BSC pay offer as a "con-trick" which would lead to far more redundancies than those being admitted to by the management.

"Last year we did a productivity deal which cut us to the marrow. They just want to reduce and reduce until there isn't a works there," Mr. Teale

claims that, if the corporation gets its way, up to 3,000 jobs will be at risk at Scunthorpe.

Suspicion about the real value — and the price — of the productivity strings attached to BSC's pay proposals remains high, not only at Scunthorpe. At Teesside — the area visited by Mr. Sirs when he spoke of members hardening around 20 per cent — Mr. Tony Cook, a member of the ISTC executive, says: "People simply do not believe the British Steel Corporation when they talk about productivity money. We have been trying to get money out of them for a staff productivity scheme for two years."

The steel strike did not start with a ballot of the industry's workforce, and there need not be a ballot on any eventual settlement. It will probably be for the unions' negotiating committees, including executive members like Mr. Cook, to decide whether they have made enough progress to settle.

"I am convinced that the Government thought we were the weak spot on the wall — perhaps some of our friends in the trade union movement thought so as well — but we are not," he said.

Such comments show that, with all the important negotiations still to come, the steel unions remain determined to reach a settlement which is honourable within all definitions of the term.

## Teachers turn down 6%, but talks go on

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

TEACHERS' UNIONS have rejected a pay offer of 6 per cent, made in reply to a claim for an interim increase of 10 per cent.

The unions, which represent 482,000 teachers in England and Wales, rejected the offer in talks with employers yesterday, but both sides continued to negotiate in further talks last night.

The claim was tabled after the Clegg Comprehensibility Commission told the unions that it could not produce its first report on teachers' pay this month, as expected.

A job-evaluation study ordered by the commission, whose results are published today in the Times Educational Supplement, concludes that the work demands on teachers are generally greater than those on managers or specialists in industry.

The rankings, based on comparisons between 20 representative teaching posts and 40 jobs in other sectors, place head teachers of the four largest groups of secondary schools above an industrial chief engineer. Other secondary school heads are ranked above a Civil Service principal, who

is in turn ranked above a company financial director.

The rankings made by the three panels covering college, secondary, and primary teachers in England and Wales, showed a high similarity with the rankings drawn up by the three corresponding panels of judges concerned with Scottish teachers.

The job-evaluation was done by a method used by the AIC Inbucan management consultancy for nearly 15 years. This is said to rule out collusion between the judging panels, each of which consisted of five union representatives, five from the local authority employers, and three independent assessors.

The pay and other benefits of the different jobs were not taken into account by the judges, who drew up the rankings solely on the "size" of the jobs in terms of their demands on the person doing them.

But the result is said to have embarrassed the Clegg Commission, because when pay and "perks" are taken into account, the ranking indicates that whereas some teachers should get a 70 per cent rise, others should receive little, and a few should have their pay cut.

## Manpower Commission urged to reject cuts

BY PHILIP BASSETT, LABOUR STAFF

day urged the Manpower Services Commission to refuse to implement the cuts in services which will result from the Government's plan to cut the Commission's staff by 12.7 per cent over the next two to three years.

The commission is to meet on Monday and is expected to decide finally on the implementation of the cuts which were announced last December as part of the Government package to reduce Civil Service staffing levels by a further 40,000.

Officials of four Civil Service unions yesterday pressed the commission to resist the cuts which they said would directly hit steel, shipbuilding and other industries already suffering from redundancies. They particu-

larly needed the commission's services, said the unions. Some officials suggested that by agreeing to the implementation of the cuts the trade union-appointed members of the commission might consider resigning — though the Civil Service unions seem unlikely to ask them to do so.

The unions said the projected cuts would seriously reduce the ability of the commission to maintain the level of assistance given to the unemployed and those seeking work.

One official suggested the Government might scrap its job release scheme which provides for early retirement by workers if their employers take on someone from the unemployment register in exchange.

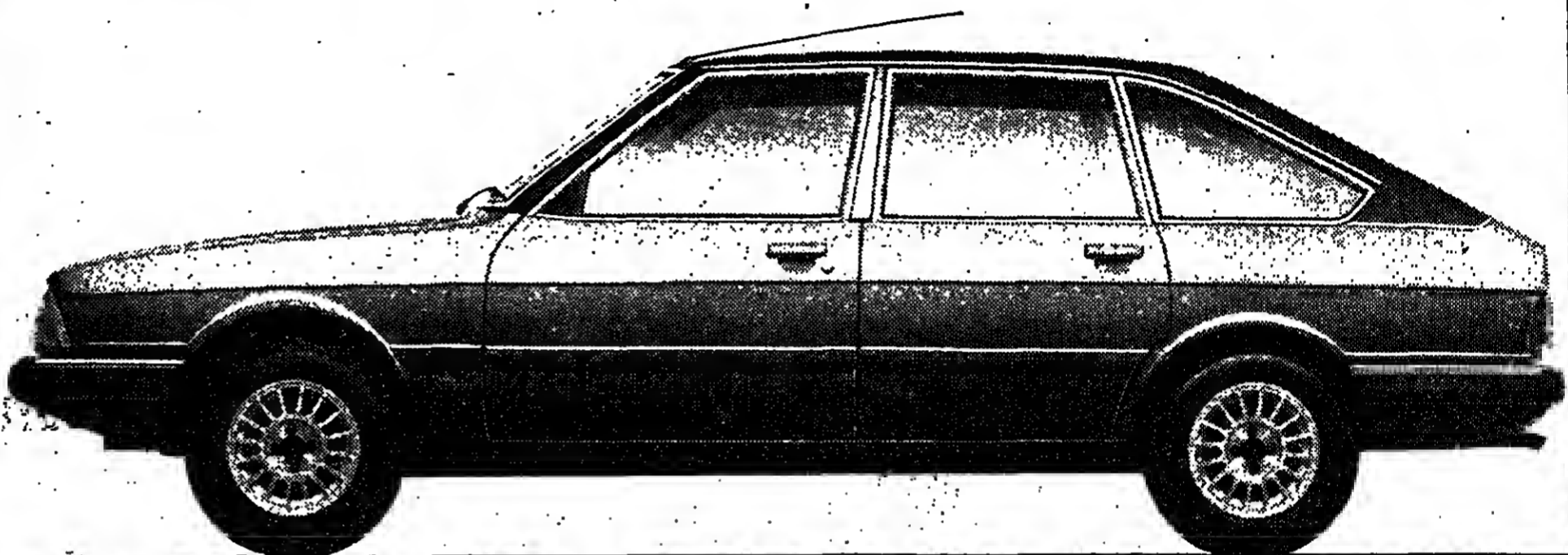
## Meccano workers may allow management back

MANAGEMENT representatives of Airfix Industries, the parent company of the Meccano toy plant occupied by the workforce since it was closed down eight weeks ago, may be allowed back temporarily into the factory.

The shop stewards met yesterday to hear reports of the joint meeting in London on Wednesday between the Airfix board and the unions. They then decided to call a mass meeting of the 940 workers on Monday to recommend that management should be allowed back to check the records.

Mr. Mike Egan, district officer of the General and Municipal Workers' Union, said last night: "They will assess the up-to-date position as far as any takeover is to be negotiated, and draw up details of the relevant redundancy terms and outstanding holiday pay."

"It will be up to the workers whether or not to accept this request from the management but we have a feeling that time is now running out. Unless a buyers is found before the deadline of February 28, production of Meccano sets and Dinky toys we feel will be moved elsewhere."



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# THE PROPERTY MARKET

BY MICHAEL CASSELL

## Chequer St scheme: Council tries again

ST. ALBANS City and District Council is making another attempt to get its long-proposed but, so far, ill-fated Chequer Street shopping centre re-development scheme off the ground.

Plans for developing the site in the centre of the Roman town have been around for no less than 15 years and matters came to a head in 1978 when the Council, in the face of fierce local opposition, was forced at the last minute to withdraw its approval for a £10m-£15m scheme by Samuel Properties.

Local residents and actions groups, together with the Civic Society, said the scheme was too big and out of character with the area and also complained about Samuel's proposals in use of its regular development partner, Bryant Holdings, to build the complex.

In July 1978, the Council called a halt to the proposals and decided to look at other plans. Last summer, Samuel Properties, which had lined up Standard Life to provide the finance—announced that it was to sue the Council for work already done and damages for misrepresentation as well as for breach of agreement.

The company has since issued a writ and proceeded to the next stage in what could be a long drawn out battle. It has submitted a statement of claim to the Council's officers, itemising expenditure and potential loss

of profits surrounding the aborted scheme. The claim adds up to £2.3m and Mr. Reg Braddon, St. Albans' chief executive officer, says the Council is now preparing its statement of defence.

The new plan is for only 170,000 sq. ft. of new space compared with the 266,000 sq. ft. contained in the old Samuel scheme. It includes a 50,000 sq. ft. department store, a supermarket and standard retail units. With the emphasis firmly on the retention and rehabilitation of buildings within what is a conservation area, the scheme will also include car park space and some housing.

After interviewing nine potential developers from an initial list of 32 applicants, the Council has invited four groups to prepare partnership schemes for consideration by June.

The four are Norwich Union, Grosvenor Estate Commercial Developments, Broderick Consulting and Costain Property Developments. The new scheme is likely to cost in the region of £10m.

This time, the Council is hopeful of seeing things through to a successful conclusion. Says Mr. Braddon: "There has been a great deal of consultation with local residents and community groups and there appears to be general approval of the outline proposals we have contained in the developers' brief—though we accept there is no way we can keep everybody happy."

## Reversions help to boost profits

WHAT IS the point of buying property shares at a time when the sector looks set to offer, for the first time in years, little or no rental growth, limited asset growth and only modest development prospects?

Shares in the property sector performed well against all-comers during 1979 and, despite a nasty attack of nerves in the closing weeks of the year, ended the decade over five times up on the low point reached during the dark days of 1975.

But how much steam have they got left in them and why should any investor favour them against what, at first glance, must seem far more attractive alternatives?

In a not altogether original answer, though one which bears further consideration by prospective investors, brokers Rowe and Pitman this week point out that the property sector's performance in 1979 was largely due to the fact that the sector was able to benefit from the massive inflationary pressure, the near certainty of revenue—and thus earnings and dividend—growth in the property sector.

The firm, which still believes that many investors do not fully appreciate the massive inflationary potential of many property companies, starts the new year on a very positive note and points out that net rental income of most property companies is now rising fast, a trend being reflected in sharply higher earnings and dividends.

Rowe and Pitman goes on to make projections—based mainly on present-day rents and making no allowance for any future growth—which show that many companies can expect substantial profits growth from reversions alone.

The firm estimates rental increases for several leading property groups over the next five years and then produces compound annual growth figures which show big rises in pre-tax profits for most of them. By way of example: Brixton and Imray (21 per cent), Slough (14 per cent), Land Securities (14 per cent) and MEPC (10 per cent).

### Yields justified

The report comments: "If these growth rates can be obtained simply by raising rents to present-day levels, we believe they alone justify present yields on property shares. The fact is that growth in all cases is almost certain to be considerably greater."

"With industrial profits coming under increasing pressure, the near certainty of revenue—and thus earnings and dividend—growth in the property sector becomes more and more attractive. Whilst the squeeze on corporate profits is not particularly good news for landlords, it is worth remembering that rents are the first charge on profits."

Away from the reversionary argument, the brokers emphasise the soundness of most property groups today when compared with the early 1970s. They calculate that pre-tax profits will continue to rise even if interest rates stay at current levels for the whole of 1980 and they also point out that not only is the total debt

of the 42 companies they monitor down by one-third on 1975 but that short-term debt is less than half what it then was.

Even if the interest rates do stay at current levels, total additional net interests costs in a full year for the companies in question would reach around £10m before taking into account property disposals and rights issues—much less than the additional revenue expected this year.

The underlying financial strength of most property companies is now largely accepted and a much larger question must now hang over asset values. Short-term prospects for growth must generally be considered to be fairly restricted after a two-year period of rising rents and falling yields.

### Still cautious

With those yields remaining historically low—4 per cent or even lower in some cases against long-dated government securities yields 14 per cent—caution remains the keyword for investors in real estate.

In terms of rental growth, 1980 is clearly not going to provide a repeat of 1979, with demand being hit by the recession. But the interest from institutional investors for top quality space seems certain to be maintained, especially bearing in mind the recent failure to push as much money into property as they intended. However, there is no huge oversupply of space and few forced

sellers around to help undermine values.

The firm nevertheless considers it likely that because of the rental picture and the attractions of alternative investment opportunities, yields will start to rise, though not to any significant extent.

A change of around 1 per cent in prime yields is mooted and with average property shares standing at a discount of around 35 per cent to asset values, such an increase would see the average discount fall to 18 per cent. It is hard to argue with its belief that such a figure would be adequate.

In summing up the prospects, Rowe and Pitman says that at a time of increasing uncertainty in many industrial sectors, prospective dividend growth at a rate substantially greater than most other sectors makes the shares of property companies an attractive proposition. It picks out British Land, Brixton, Hammonds, Land Securities, MEPC and Slough as companies especially worthy of consideration.

Citibank Trust is leaving Stinebridge Park, Wembley and taking space in St. Martin's House, Hammonds. The company has taken an assignment of BL's overriding leasehold interest in the 89,100 sq. ft. building. An undisclosed premium is being paid by Citibank, which was advised by Knight Frank and Rutley.

## Nigerian businessman is mystery property buyer

THE "private African investor" behind a few recent property acquisitions in London turns out to be Chief Nzeribe Arinze Nzeribe, one of Nigeria's best known businessmen.

Chief Nzeribe, who is 41 and the chairman of the Franz Organisation which he founded in 1962, has been steadily building up a private property portfolio in the UK.

His latest acquisition involves the freehold interest in 3, Hans Crescent, Knightsbridge, a deal attributed to an anonymous buyer shortly before Christmas. The office building, close to Harrods, which includes several embassies among its tenants, cost the Chief £2m and the purchase takes the value of his UK portfolio to around £12m.

Not all the property he buys is for retention and he has been involved in several resales or break-up operations. The Chief has his eyes set on an expanding property portfolio, with the emphasis on industrial property. He holds some office space but says he has no intention of becoming involved in the residential market.

Chief Nzeribe employs four agents to advise him and says that his UK property represents over 60 per cent of all his personal non-Nigerian investments.

Although he has business interests in France and Switzerland, his property investments have been confined to the UK and he says that is how it is likely to stay.

"The property markets in

other countries are often more complex and certainly less familiar to me. Having gone to school here I think I know what makes the place tick."

"I don't pretend I can compete with the institutions when it comes to property but I believe the market here offers excellent opportunities for sound investment."

● Norwich Union is to finance a £10m office scheme at 22-25 Farringdon Street, EC4A. The group has purchased the long leasehold on the site and Taylor Woodrow is to develop the 94,000 sq. ft. air conditioned office block due for completion in 1981. Jones Lang Wootton and Bell Ingram are letting agents and a total pre-let will be considered.

● Rank Xerox has acquired the least of 5-10 Bury Street, EC3A, a 30,000 sq. ft. office building completed in December and owned by Hanover Property Unit Trust. It has been let at a rent of around £450,000 per annum, equating to about £15 a sq. ft. Knight Frank and Rutley, Collier Mudge and Richard Saunders acted for Hanover and Goddard and Smith represented the tenant.

● The White of the National Water Council's restored office scheme at 4-5 Buckingham Gate, SW1, has been let to Esselte Business Systems of Sweden. Rent for the 27,000 sq. ft. building is in the region of £14 a sq. ft.

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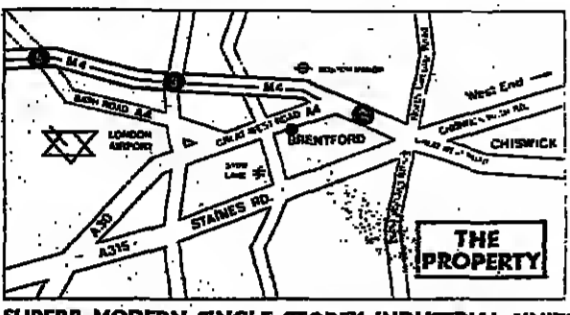
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## Commercial and Industrial opportunities in London:

# "IT'S AMAZING TO SEE THE PROGRESS IN DOCKLANDS SINCE I WAS HERE SEVERAL MONTHS AGO."

*Cif Nicholas*

"Most people now realise that London is actively starting to mind its own business. There is more space available for new enterprise in the capital than at any time since the Great Fire in 1666.



There are many new schemes to encourage commerce and industry. The London Industrial Centre, the main information source for the new schemes, is providing a free advisory service on business opportunities throughout the whole GLC area. And the Docklands Development Organisation specialises in providing the same service in the Docklands area. All told, it's an enormously powerful combination. Particularly as London offers unique advantages, here and now, that are unlikely to be equalled elsewhere in Britain - ever.

By far the biggest single proof of London's planned regeneration for the 1980's and beyond is the Docklands Development Scheme.

At five and a half thousand acres, it's the largest development in Europe, virtually a city within a city. And many international giants like

Ford, IIT, Unilever and Tate & Lyle are already here.

Obviously, a Docklands can't be built in a day.

Nevertheless, it's amazing to see the progress since I last inspected the area several months ago.

Here's a brief summary of what I saw this time:

### TRANSPORT:

The new Crosstown Link Line is open servicing the northern sections of Docklands from North Woolwich, and providing inter-changes with B.R. and tube networks.

The final section of the East Cross Route is completed and eliminates all the bottlenecks and low bridges on its six mile route between Hackney and Greenwich.

And the new Jetfoil Service from St. Katharine Docks will provide high-speed access to the Continent.

### HOUSING:

Many more new units are completed and some are already in occupation.

All the new housing complies with the Docklands criteria that each unit is not more than five storeys high.

### FACTORIES & OFFICES:

More new units, several already in use can be seen on the London Industrial Park, at Beckton, the Maritime Estate at Greenwich and elsewhere in Docklands.

Modernisation projects on existing buildings are also becoming increasingly evident.

### WORK IN PROGRESS:

More than £200 million is being spent on new projects in the next three years alone - but the results may not be visible for some time.

For example, the clearing and draining of Surrey Docks site, a massive task by any standard, is virtually completed, and the development potential is there to be seen.

Which is as sure a sign as any that the dream of Docklands is now moving towards becoming a functioning reality.

It's all starting to come together now. You have only to visit the area to see evidence of progress everywhere."

For more information: The London Industrial Centre at County Hall, SE1 7PB.

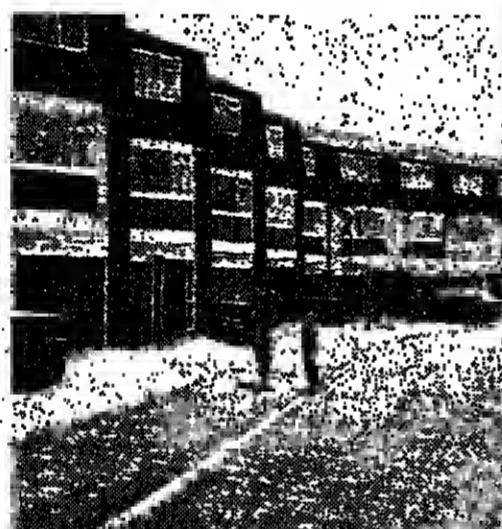
And the Docklands Development Organisation at Blackfriars House, 19 New Bridge Street, EC4V 6DB.

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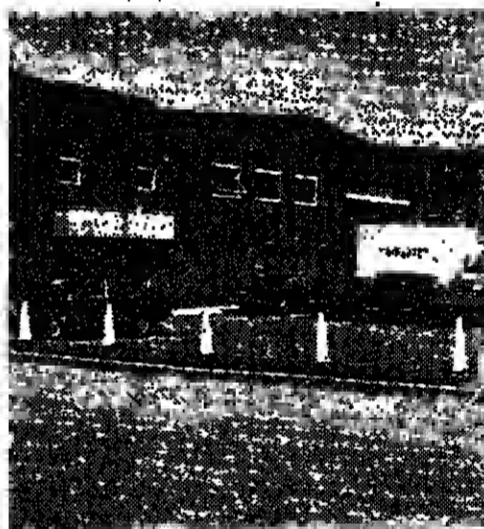
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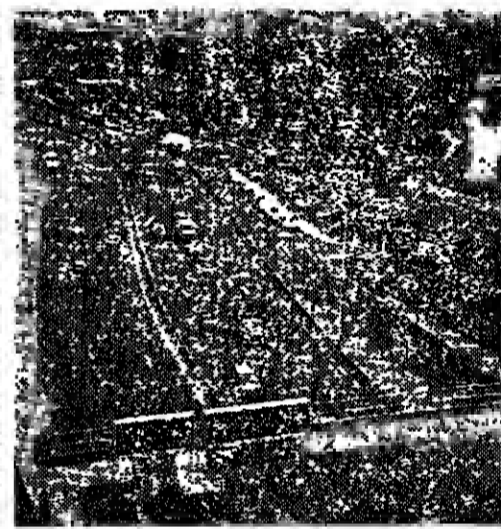
Several new housing developments are now completed in Docklands.



The Crosstown Link Line provides new interchange services with BR and tube networks.



Modern factories are now in full production at the London Industrial Park, Beckton.



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## MANAGEMENT



## EMPLOYEE BENEFITS

EVER since the 1975 Sex Discrimination Act, men and women have been officially equal. But this news seems to be very slow in reaching the corners of the Civil Service, particularly the Inland Revenue and the Department of Health and Social Security.

Pensions were specifically exempted from the 1975 Act, on the grounds that the DHSS was initiating its own legislation. But the Social Security Pensions Act 1975 only gave women employees the right to join their company pension scheme on the same qualification terms as men.

Although further proposals were put forward by the previous government and supported by the present one, they have not yet seen the light of day. They were for equality of benefits between the sexes, once they had become members of the scheme, and for equal treatment in general in company pension schemes.

Under the State pension scheme, women, as full time employees, are more equal than men. They get their pension five years earlier than men, having paid the same level of contribution for a period that is five years shorter. This practice has generally spilled over into the company pensions sector.

In general, company pension schemes provide equal pensions for men and women in that the fraction to which they are entitled for each year of service is the same. But it is not yet a complete legal right.

Under the contracting-out provisions of the 1975 Pensions Act, company schemes have to provide equal benefits up to the level that would have been given by the State scheme—the so-called Guaranteed Minimum Pensions level. But a company can provide the minimum benefits for women, and better than minimum for men. A company scheme would still comply with the Act if it gave men pensions of 1/60th of final salary for each year of service, and 1/80th for women. In practice, however, company schemes tend to give men and women the same fraction.

Problems can occur in the State scheme over the payment of a widow's pension. This is only paid to the deceased's legal wife at the time of death; the so-called "common law" wife has no claims on it. And the

## Inequality and pensions

widow's pension ceases on remarriage, with DHSS investigators looking into cases of cohabitation to check on continuing eligibility for the benefit.

The more enlightened pension schemes have dropped the remarriage restriction for a widow's pension, which ceases only on her death. Some schemes will pay a widow's pension to a common law wife. Others include such payments under the dependents pension provisions. Since the trust deed controlling the operation of such pension schemes can give the trustees a wide degree of latitude, all they need to be satisfied about before paying a pension is that the woman concerned was being financially supported by the deceased employee.

But contracting-out is imposing certain restrictions on this flexibility. Under such an arrangement, the State pension of the widow's pension has to be paid to the legal widow and no one else, since the company is paying this pension in lieu of the State.

Potential difficulties with the payment of widows' pensions do not end here. If the deceased employee was divorced and had since remarried, his first wife has no specific claim to any part of the widow's pension, even if she was receiving financial support from her ex-husband.

## Single status

Divorced women have no problems about their basic State pension entitlement when they revert to single status. If they did not work while married, they are credited with their ex-husband's contribution record for the period of marriage. But no such credit applies in respect of company pension schemes.

This has serious implications for middle-aged and older women when they divorce. They will not have time until retirement to acquire an adequate pension in their own right. So it is important that pension rights be taken into consideration in any divorce settlement, all too often they are overlooked.

One could take a cynical view and argue that women cannot have it both ways: they must take the rough with the smooth if they want to stop being chattels of men. But a more realistic approach is that this

is a complex problem in human relationships that someone has to solve. Pension scheme trustees are not Solomon and the Occupational Pensions Board has recommended that any divorce should be decided by the divorce courts, not the trustees.

One valuable benefit provided by company pension schemes that is not paid by the State scheme is the death-in-service lump sum. This need not necessarily be a payment to the widow. To avoid any liability to Capital Transfer Tax, payment of this sum is completely at the discretion of the trustees. In theory, they are within their rights to divide the money among themselves, to practice their endeavour to follow the wishes of the deceased employee. But here they often come up against typical British reluctance either to disclose or discuss one's private affairs, and reluctance to pry on the part of the employee.

If the employee wishes the money to go to someone other than his legal wife, then he should make his wishes known. And this does not apply solely to common law wives, mistresses and girlfriends, it has tax planning implications for the happily married employee.

For instance, one notable pension consultant, practising what he preaches, has mitigated CTT by leaving his estate to his wife (such transfers not attracting CTT liability) and dividing the death-in-service benefit between his children, again free of CTT.

But this can be a problem in communication between the employer and his employees. If the employee wants to be discreet, he can indicate that the lump sum should be paid into his estate and later for the disposal in his will.

There are other areas of discrimination in some company pension schemes, usually between the benefits for married and single members, such as a lower death benefit for single persons. This is a relic of the days when pension schemes were set up to ensure the continuance of a person's financial responsibilities when he or she retired or died. It was thought that a single person needed a pension on retirement, but fewer benefits on death than a married person. The modern outlook is towards equality in all respects.

Eric Short

EVERYONE was agreed—small business is the "purest form of the American spirit."

Arthur Levitt Jr. was the first to coin the phrase as chairman of the first White House Conference on Small Business, which was held in Washington last week. But it quickly became the property of many of the 2,000 delegates from small business who had congregated in the nation's capital from every one of America's states to create a united voice and to find ways to revive small business, which in the past few years has been under increasing pressure.

President Carter instigated the conference in April, 1978, in response to a suggestion from fellow Democrat Senator Gaylord Nelson, a keen advocate of small business. And at its opening last week he presented himself as the champion of the small businessman, indeed, a small businessman himself. There was a need to strengthen small business further, if the national economy were to be sustained, he said.

The President had committed himself, prior to the conference, to reviewing the 15 principal recommendations that emerged from the conference, and to presenting them to Congress for consideration and, so the delegates hoped, ratification.

In the event, and not altogether surprisingly, the President has been presented with a package of demands weighted strongly towards tax changes. The smaller businessman has made it clear that he wants a much more graduated tax levy, more incentives to encourage investment in small business, and a smaller tax burden on family-owned businesses to help perpetuate that almost sacrosanct element of America's business history—continuity of family succession and ownership.

But there were other important areas which delegates put in their minds. They wanted the Federal Budget to be balanced by limiting Federal spending to a fixed percentage of GNP; a reform of the social security system, including a limit to the number of dependent beneficiaries; and a revision and freeing of wage standards.

Equally important, though politically highly contentious, was the need delegates saw for a regulatory review board to be established—on which they would be directly represented—to monitor government regulations and paperwork. They proposed that there should be regular reviews of laws, regulations and agencies to discontinue or revise the terms of those that became outdated. There were also proposals to provide special measures for the advancement of women, and

## Small gets big in the U.S.

Nicholas Leslie reports on the first White House Conference on Small Business



For President Carter the conference fulfilled "an ambition of mine to have the voice of small business heard loud and clear in Washington." For Arthur Levitt Jr. (right), chairman of the conference, small business was the "purest form of the American spirit."

minorities, such as the blacks and Hispanics, in business.

Among several remarkable features about the conference were the lack of general political debate and the degree of unity among delegates. Any doubts about whether the occasion was designed to provide President Carter with a political tool, were soon dispelled when speakers and delegates made it emphatically clear that the conference, and those attending, were totally unaffiliated by the White House.

Ironically, the very fact that such independence was maintained and widely recognised was felt by some observers to be a political plus for President Carter among the small business community. If so, the conference has provided him with a potentially vast reservoir of allies. For if the delegates were not fully aware of their importance to the American economy before last week, they certainly are now.

Statistics rained down on the conference like confetti. Of the total of 10,400 non-farm businesses in the U.S., 98.7 per cent are considered "small" by the U.S. Small Business Administration; small business accounts for 43 per cent of Gross National Product and provides 58 per cent of business employment (excluding farms); small business provides, directly and indirectly, the livelihood of over 100m Americans; between

1969 and 1978, when 14m people joined the labour force and when 9m new jobs were created, the 1,000 largest corporations in the U.S. did not increase the numbers in their employ. Of the 9m new jobs, 3m were provided in state and local government and 6m by small business. Small business is also responsible for over 50 per cent of all innovation in America.

The unity was maintained throughout almost the entire conference. Small business people are noted more for their singularity of mind than for their ability to reach collective decisions on economic and political matters. But delegates were keenly aware of the enormity of the opportunity they had to make themselves heard.

## Conflicts

The preliminaries to the conference also helped to icon out most of the potential conflicts. Since the inauguration of the conference, 57 regional conferences and seminars have taken place around the U.S.—attended by over 30,000 delegates (all small business people)—to discuss issues critical to small business and to thrash out a whole series of recommendations for discussion at the national conference.

At these primary meetings there were many occasions when arguments about sectional and local interests broke out—

giving rise to speculation that the national conference would itself degenerate into a series of conflicts and that the small business community would throw away its opportunity to create an effective lobby in Washington, and to be taken seriously. Proof that this did not happen was shown by the involvement not only of President Carter but by several senior government officials, including Alfred Kahn, adviser to the President on inflation, and G. William Miller, the Treasury Secretary, as speakers.

From the start, however, it was evident last week that virtually everyone was preoccupied with ensuring that they were taken seriously and the structure of the conference was without doubt crucial to its success. The format provided for major meetings to discuss 12 topics—such as capital formation, minorities in business, and energy—followed by a whole series of workshop meetings where delegates thrashed out the order of priority to be given to a total of 60 recommendations to be discussed (five in each of the 12 topic areas). In all these meetings it was noticeable how the chairperson elected consistently stirred discussion away from sectional interests and towards reaching unanimity on broad issues affecting small business in general.

Finance remained the dominant theme throughout—indeed, ten of the top 15 proposals put forward were directly related to this subject. But it would be wrong to conclude from this that American small business people are self-seeking and preoccupied merely with looking after their own pockets. Certainly there is an element of that—they acknowledge their belief that a larger personal slice of the cake is a just reward for their endeavours—but they also believe that their financial proposals will strengthen both their business bases and the economy.

Their concern about the erosion of their financial strength was apparent by the emphasis they put on discussing measures for capital retention, rather than capital formation. This was understandable; all of the delegates had, after all, already overcome the problem of finding their initial capital, so venture and seed capital was almost ignored as a topic. They were much more preoccupied, given a weakening economy (productivity fell in the U.S. last year for the first time since the last

war) and rising inflation, with how to alleviate pressures on their worsening cash flows.

Two big questions now are whether the unity that has been created can be sustained and how many of the demands made by delegates will be approved by Congress.

The first is probably more difficult to answer than the second, because even the delegates themselves were realistic enough to believe that, in an election year when so many other interests will be fighting for attention, they would be very lucky if even a handful of their proposals became law.

Unity is hard to maintain for—as was pointed out on more than one occasion—small business is made up of sectional interests, no matter how hard anyone may try to bring them together. Even at the end of the conference cracks began to appear; there was evident dissatisfaction at the relatively low priority given to proposals to promote women and minorities, including not only blacks and Hispanics, but also Vietnam veterans, in business.

Considerable momentum has already been generated in the past 18 months across the U.S. among a large number of national and local small business associations, towards creating an identifiable small business voice in Federal Government. Last week's conference was the catalyst that brought these interests together.

Vernon Weaver, administrator of the Small Business Administration, pledged himself at the close of the conference to "carry on the work you have begun here" in promoting the interests of small business and in pressing for less, but more efficient government. He also promised to report on his progress to delegates within six months.

Meanwhile, it has already been agreed that there should be another conference in two years' time. If a correct perspective on the conference is maintained—a beginning on which future activity and political lobbying can be built—and provided minority and other sectional interests remain united, rather than fragmented, behind those broad proposals which have been agreed now, there seems good reason to believe that America will have shown the way for small business in other countries to unite in common purpose.

## Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOTTERS

## PIPELINES

## French use UK powder coating material

INTERNATIONAL Paint has beaten off fierce American competition to secure a \$200,000 export order in France, expected to lead to business exceeding £1m a year.

The order from Elf Aquitaine, is for Interpon pipe coating powder to cover a 110-kilometre oil pipeline in Oman. Interpon, developed and manufactured at the International Paint research and production complex at Felling in Tyne, is backed by one of the largest research units of its kind.

IP Powder Coatings is the only UK powder coating company to manufacture and supply such materials to the pipe coatings industry. Interpon coating is sprayed

as a dry powder, charged at 75,000 volts, on to 40-foot-long steel pipes which have previously been heated to a temperature of 250 degrees centigrade. Within two minutes of application, the powder melts, flows out and hardens to a smooth and glossy coating which is superior to all other protective coatings for pipes.

The sales breakthrough in France follows the outstanding achievement by the Powder Coatings Divisions in 1979 when it supplied the powder coatings used on all the pipelines laid in the North Sea. These included the pipelines for Shell, BP, Chevron, the Union Oil Company, and Phillips Petroleum.

## Seeking data on damage

THREE oil companies and an inspection authority have agreed to fund a feasibility study from MatEVAL of Newton-le-Willows, Merseyside for the development of a free swimming pig to carry out ultrasonic wall thickness measurements in oil and gas risers.

Feasibility constitutes the initial stage of MatEVAL's development programme which will eventually result in the manufacture of a pig which can be introduced into a riser on the production platform to travel with the oil or gas down to the sea bed line and along to the shore-based pumping station.

Companies involved in the initial stage are Elf, Shell, BP and DNV and further funds are available from the Commission

## INSTRUMENTS

## Makes permanent record

TO BE seen for the first time in this country at the IEA/Electrex exhibitions in Birmingham (February 25 to 29) is the ES1000 high frequency electrostatic recorder from Gould Instrument Division.

Writing system of this machine is a high resolution recording array consisting of 1,000 separate electrodes, giving permanent reproducible

records on plain paper at chart speeds of up to 250 mm/sec. Up to 16 channels at 10 kHz can be recorded.

The use of digital technique in the multi-electrode array allows full alphanumeric annotation, overlapping traces, and variable grid spacings.

More from Roebuck Road, Hainault, Essex IG6 3UE (01-500 1000).

## COMMUNICATIONS

## Answers calls in rotation

USE OF the Cole Electronics call priority indicator unit, in conjunction with Post Office key and lamp units makes it possible to answer all telephone calls in the system strictly in rotation.

The priority indicator will show which call is to be answered first when several calls are waiting, thus improving customer service.

Operation of the Post Office equipment is not affected and no electrical connections are made to it. One master priority indicator can handle up to 15 key and lamp units (KLU).

This unit is compact using the latest micro-technology. It

installed in minutes, has no software requirement and has low power demand.

The indicator unit consists of a master electronics package, which can be placed underneath or behind the KLU, and a sensor indicator module which is placed over the existing row of lamps on the KLU.

Only the first line awaiting answer is indicated by a flashing red lamp in the appropriate position. Individual lines can be switched out of the priority system—such as lines for outgoing calls only—in which case the indicator repeats the state of the Post Office lamp.

Cole Electronics, 105 Lansdowne Rd., Croydon CR0 2BN. 01-680 8507.

## Shows caller's number

ALTHOUGH IT cannot be used on public switched lines until formal approval has been obtained from the Post Office, a small recording and display device from Feedback of Croydon, Surrey, will go a long way towards solving the problem of the unattended telephone.

One solution is the telephone answering machine, but it is known that some people dislike tape recorded instructions, says Feedback, when all they want is to leave their number for someone to call them back.

The device from this company, called Logatel, performs this simple function. If a number is called which is fitted with Logatel and no-one is present, the unit is automatically connected and a steady tone replaces the ringing tone. The caller then simply dials his own number, waits about four seconds until he hears an acceptance tone, and then replaces his receiver.

Ten callers can be dealt with in this way; on returning to his instrument the called subscriber simply presses some buttons to



have them displayed in turn.

But use for the time being is restricted to internal telephone systems.

More from the company at Park Road, Croydon, Surrey TN6 3QR (08926 3322).

## PROCESSING

## Ultra-pure water on tap

INSTALLATION of a water treatment plant for a new factory in Nantes is to be carried out by Elga Products for Matra-Harris S.A. The latter is a joint venture by the French company Matra and the Harris Semi-conductors Corporation of Florida in the U.S.

Under a \$73,600 contract Elga will install the new water treatment plant in two co-ordinated phases as the factory is completed. Once commissioned, this plant will provide ultra pure water, of 18 megohm resistivity and totally free from silica, colloids and bacteria.

Water of this quality is an essential requirement, and will be used exclusively for the rinsing of semi-conductor components during their many stages of manufacture.

To achieve the high specifications demanded, Elga has set up a central treatment plant. Here company engineers will install reverse osmosis and two-bed deionisers designed to work continuously, feeding high quality water into an extensive ring main distribution system which will run around the production areas.

## FINISHING

## Colouring with confidence

THANKS TO the ubiquitous microchip, architects, interior designers and colour consultants, can now offer their clients all they ever dreamed of in colour schemes.

An enormous choice of 960 colours, in five different finishes—with reliability and repeatability—is available from Crown Paints, PO Box No. 37, Darwen, Lancs (0254 74951).

The Crown Colour Plan colour has its own formulation which contains all the information needed to make the paint... the code is read by a light pen scanner which locks it into the computer and the production process is then performed automatically.

The "chip" promises to guarantee total accuracy of colour and the main beneficiary of this technology is the specifier—subsequently, his customer.

The company's aim is to provide the professional with an exclusive range which overcomes the limitations of both the 88 colours in the BS 4800 range, and paint manufacturers' own colour offers.

Computerised small batch machinery has been installed at Crown's factories in Darwen and Hallowthistle, Northumberland, to make the Colour Plan, which is promised within five days of receiving an order.

Colours in the range have been carefully balanced in terms of hue, greyness and weight to provide a comprehensive colour choice... additionally, all 960 colours carry Munsell references and a correlation of BS 5252 (the main building colour standard).

## Tough coating on metal

PROMISING GREATER corrosion and abrasion resistance on a cost-effective basis is a new material, Vestar Protective Finish, offered to non-ferrous metal finishers as an alternative to both organic and inorganic finishes.

It can be used with conventional equipment without special training in most finishing workshops says silicone specialist, Dow Corning, Reading Bridge House, Reading (0734 57251).

It is said to derive its specialist properties from being a silicone-silica hybrid which forms a clear, extremely hard and very thin coating to

aluminium, brass, copper and other non-ferrous metals.

The organo-silicon chemistry of the material allows it to be handled as easily as the conventional organic coatings such as epoxies, acrylics, polyester and urethane—yet its resistance against corrosion and abrasion is claimed to outstrip that of anodising.

Conventional application methods are suitable—such as dipping, flow coating, brushing, rolling and spraying (either electrostatic or conventional)—and it should have a wide range of applications from panels and industrial parts to kitchenware and jewellery.

## SERVICES

## Speeds vehicle repairs

WITH SO many cars piling up at the repair centres, introduction by Blackhawk of an easier to use and more versatile vehicle body correction system could help garages catch up on their backlogs.

The equipment consists of an independent mobile pulling unit which anchors the vehicle under repair. Multi-directional pulling and pushing units, together with anchoring accessories are provided.

The pull-arm, which can be anchored anywhere 360 degrees around the mobile base, is provided with a further adjustable element which can be swivelled through a full 90 degrees. This device allows all types of repair work to be carried out with the minimum amount of setting up, in all directions all around the vehicle.

Complementing the pull-system is a totally independent measuring unit which eliminates the need for special brackets to

make it adaptable to varying makes and types of vehicle, without the need for corresponding re-alignment.

A heavy main centre beam has been included for extra strength, as the existing perimeter base frame has been removed in order that downward pulling and panel welding can be more easily achieved. Controls for the Mk II are built into the measuring frame, which decreases the time taken for setting up the measuring unit.

Scales on the measuring system have also been modified so that measurements can be preset, thus enabling the operator to just align two pointers rather than seeking repetitive confirmation of measurements by referring to the vehicle's data.

Blackhawk Automotive, Leacon Road, Ashford, Kent. Tel. 0235 32151.

## PRESS

Engineering contractors to the oil, gas, chemical, process and power generation industries.

## PRESS

William Press Group, Tel. 01-353 6544.

## COMPUTING

## Software from U.S.

APPLICATION software of many kinds developed by or for the U.S. Government to be made available in the UK through the U.S. Department of Commerce's National Technical Information Service, P.O. Box 3, Newman Lane, Alton, Hants GU34 2PG (0420 84300).

The programs cover many applications including simulations, mechanical design, and data management and are offered either as a set of written programming instructions with application information or in the form of magnetic tape or punched card decks to suit computer mainframes of various types.

The details of what is available are provided in a series of directories which are designed to cover products in a distinct subject area. There are 14 of these at the moment and they include subjects such as aerospace, medicine and biology.

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LOMBARD

# Alarm bells in Whitehall

BY IAN DAVIDSON

I HEAR that the alarm bells are ringing all up and down Whitehall. Not content with sending Sir Derek Rayner and his team to poke and pry into the efficiency or otherwise of the civil service, Mrs. Thatcher has been carrying out personal forays into a number of departments, usually unannounced, and asking searching questions. Quite a few senior civil servants have been astonished to see the Prime Minister framed in the doorway, only to be faced immediately afterwards with the snap query: "What exactly do you do, and is it cost-effective?"

I can only deduce that Mrs. Thatcher is a paid-up, not to say full-time, member of CABBAGE (Campaign Against Bumbling Bureaucracy and Generalised Extortion); one of its ardent readers; has awarded me a year's free membership in recognition of my article last week on the Rayner programme. At the same time, he has drawn my attention to a most interesting survey, carried out by the French husband-and-wife team of Jean-Pierre and Catherine, on the basis of EEC statistics, which compares the size and cost of the bureaucracies in each of the nine Common Market countries.

The first point to emerge from the survey is that Britain employs, by a really handsome margin, more bureaucrats than any other country in the Community. Admittedly, this is on the basis of 1977 figures; the picture probably has not changed very much since then—certainly not for the better.

In 1977, then, Britain had 5.3m public servants, a total which includes not only central government and local authorities, but any one whose salary was effectively paid by the taxpayer. Now, I always thought that France had a pretty well-nourished bureaucracy, and that Italy (remember Il Post?) was a bureaucracy run wild. Not a bit of it.

France in 1977 had a mere 3.1m public servants, nearly 2.2m less than Britain; while Italy was positively austere, with only 2.6m public servants—perhaps because the salaries are so much better in the bankrupt companies owned by the state. Expressed as a percentage of the working population,

## Worst paid

Apologists for the public service would no doubt point out that the British bureaucrats are not the most numerous in Europe but also far the worst paid: the average salary is only 55 per cent of that in France. The survey does not, however, take any account of purchasing-power parities; and we know that civil servants are not merely given salary increases on the basis of comparability with the private sector, but also go on strike with gey abandon. The question is, even if it were true that the civil service is badly paid, do we get value for money?

Footnote—The reader who awarded me free membership in CABBAGE is on the staff of the Brussels Commission. Salaries there are very high, but numbers are, by British standards, tiny. Do we get value for money?

ON A BLUFF on the River Mersey stands some of the oldest coal handling equipment still used in the British Isles. They are the three coal hoists at Garston docks, which supply household coals to Northern Ireland and the Isle of Man.

The biggest of the Garston coal hoists was commissioned in 1922 in Penarth, South Wales, and brought to the Mersey after the Second World War. Towering over the dock like a black gull, it carries a load of 40 tons of coal at a time into the ship's hold 40 feet below.

But these blackened relics will not be in use much longer. To cope with Ulster's growing demand for domestic coal, automated handling equipment is to be brought in, like that used at the National Coal Board's bulk handling terminal of Immingham on the Humber.

The modernisation is good news for Garston, and in marked contrast to cut backs in other parts of Merseyside. Until the plans were announced, there had been some doubts about the future of Garston docks.

The NCB had been very close to choosing another port as its main outlet to Ulster. This would have deprived the docks

of its coal trade, which accounts for a third of its total cargo, and would have threatened the prospects for its highly successful container trade.

Garston docks, controlled by the British Transport Docks Board, has 280 employees, including 100 registered dockers. Any closure would have been a severe blow to a township which already has at least 5,000 unemployed.



played. Now Garston is to be re-equipped over the next 18 months, doubling its coal throughput to 1m tons a year.

Garston docks were originally founded as a coal-handling port in the last century so it is appropriate that this change in its fortunes results from coal.

The latest revival as a competitor to oil and gas. In Northern Ireland, Garston's main customer,

the number of households burning solid fuel will grow as a result of the Government's refusal to build a submarine pipeline to supply natural gas from Scotland.

To exploit this golden opportunity the Coal Board realised that it had to improve the quantity and quality of its shipments of household coal. A total investment of £10m is being made to ensure regularity of shipments and less wastage due to the degradation—or crumbling—of coal in transit.

All the improvements have to be made on the British side of the water, as private coal merchants in Ulster have already made considerable efforts to modernise and mechanise their yards, which are among the most modern in the UK.

At Garston and the other five mainland ports which supply domestic coal to Ireland, there has been very little innovation and the method of delivering it from the coalfields is a century out of date. Other than Ayr, they all receive their coal in conventional wagons sent from the pits in unplanned rail services.

The coal is tipped straight into the ship's holds, with little being done to prevent crumbling. By the time it reaches the distribution yards

in Northern Ireland, up to a fifth of the original weight can have been spoiled.

Garston is a logical place to start the improvements since it already supplies more than half Northern Ireland's domestic coal consumption. However, it very nearly lost this valuable contract to Portlough docks, four hours sailing time up the Manchester Ship Canal, which handles 50,000 tons of coal a year. Both ports had put in keen bids, but the NCB says it was nervous about Garston because of its reputation for difficult labour relations.

Garston only won because its workforce gave a written undertaking to work an extra shift and to drop their present job demarcations.

In future there will be only coal operatives, instead of tipplers, trimmers and hoist drivers. Mr. Tony Winfield, the docks manager, attributes this agreement to the "realism and flexibility" of the local representative of the Transport and General Workers' Union, who appreciated the threat to the whole of Garston docks if the coal trade was lost.

The BTDB, cushioned by a 20-year contract with the Coal Board, will spend £12.5m on two conveyor-belt systems capable of loading two colliers at a time,



The largest of the three remaining coal hoists at Garston docks and due to be demolished and replaced by automated handling equipment.

instead of one at present. The equipment will help cut coal degradation from 20 per cent to 4 per cent. And instead of being vulnerable to delays in the rail services, the plant will be able to load the ships from stockpiles on the quay.

What remains to be decided is whether the coal will continue to come by rail or be switched to road, and this in turn will decide from which pits the coal will come. If the railways are used, the coal will arrive in "merry-go-round" trains like those used to supply

power stations. New rails will have to be laid to take the 25-ton airbrake wagons, and the Docks Board wants the Environment Department to put up half the additional £600,000 cost.

There could be strong local repercussions if the coal arrived by road. Garston is no beauty spot, but its residents will not take kindly to 20-ton coal lorries roaring through their streets at the rate of one every 10 minutes, even though that would be preferable to the silence of another idle dock.

## Two to watch for Aintree

HAVING closely examined the Sun Grand National weights which have just been released, the leading bookmakers seem to be right in making Zongalero a firm favourite.

But several may be sticking their necks out with these odds: 25-1 Rambling Jack (with Heathers) and 25-1 Chumson, generally available.

No one was more pleased with Rambling Jack's win a few days ago on his reappearance than Jonjo O'Neill his jockey. After dismounting he named Rambling Jack as his National mount.

His own trainer, Peter Easter-

by, who is without a runner on March 29 has released him for an outside ride and he had the chance to partner several other horses with likely chances.

Rambling Jack, a much improved Wreckin Rambler gelding, who won three times in Newcastle in the 1977-78 season, made only two appearances last term. He showed that he was not only backed to his best when beating Seaton Boy by eight lengths at Ayr in March but also that he is a "spring horse".

Rambling Jack should have no difficulty carrying 11 st. 8 lb. He will also be ideally suited if there is cut in the ground.

Chumson, whose trainer, Fred Winter, has had such a fine record in the Grand National is the anticipated mount of John Francome. This in spite of the fact that Winter will also saddle

last year's third, Rough and Tumble.

Chumson, carrying 11 st. 7 lb, is an almost perfect jumper who landed the New Zealand Grand National before joining Winter. Although he was rested last season after splitting an off-limb in the last round, he had an operation on the leg at Bristol University. He is now fully sound and has had five races this season.

There was a flood of money for last year's winner, Rubelick yesterday. The Tote, which laid him to lose £50,000 at 25-1, cut his price by five points.

DONCASTER

2.00—Rising Falcon\*\*  
2.30—Eastern Citizen\*  
3.00—Slippery Dick  
3.30—Bombadier\*\*  
4.00—Red Cleric

## RACING

BY DOMINIC WIGAN

ago on his reappearance than Jonjo O'Neill his jockey. After dismounting he named Rambling Jack as his National mount.

1.00 The Muppet Show.

2.00 Hawaii Five-O.

3.00 The Comedians.

4.00 News.

5.00 The London Programme.

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## THE ARTS

## Cinema

## The Great Australian Desert

by NIGEL ANDREWS

**My Brilliant Career** (U)  
Screen on the Hill and  
Odeon Kensington

**The Big Fix** (A) Plaza

**Escape From Alcatraz** (AA) Plaza

**A Different Story** (AA) Classic Poly

**The Incredible Hulk** (A) General Release

Gillian Armstrong's *My Brilliant Career* comes close to being the Identikit Australian film. Having opened the doors to their country's history in recent years, Australian film-makers seem to have been whooshed as one into an engulfing fast-paced time-war.

Trilled dresses and lace boh through the landscape, perky pubescent girls do battle with stern aunts or mothers, handsome males in Norfolk jackets twirl their moustaches, the out-back stretches primitive and hunched and beckoning, and that gold-filter effect that Peter Weir deployed as memorably in *Picnic at Hanging Rock* seems to have been passed around from production to production Down Under ever since.

The Australian New Wave, in short, has stiffened into an all-weather aureate Perm. And here we go again: in *My Brilliant Career*, I swear to you that before I saw the film I didn't know it had the same cameraman (Don McAlpine) and screenwriter (Eleanor Witcombe) as the late *Gettysburg* of *Wisdom*. But more and more as it unfurled on the screen, this bildungsroman of a young girl from the outback who struggles to forge her own career and personality in the Golden Age of Australian patriarchy seemed like a cloning job from that earlier turn-of-the-century tale of Antipodean growing pains.

Both, to boot, are based on autobiographical books: the first by Henry Handel Richardson (Miss) the second by Miles Franklin (ditto).

Freckled, pudgy and plain, like a Madeira cake that's gone wrong in the oven, Judy Davis enacts the heroine with spirit, guile and a wonky charm. The film, as it traipses around one staging post to another of her adolescent odyssey, owes more to her acting than it realises. She galvanises scene after scene that otherwise has the staid determinism of a TV costume

play. Characters process across the screen biting their chalk-marks and doing their bit for the story: the windswept, bravely-coping mother who tells her daughter she can no longer support her; the snobby, severe grandmother with whom the heroine goes to stay; the handsome local squire who strikes

sparks in her heart but whose marriage offer she is too career-ent to accept; and the horrendous gaggle of bovel-dwelling children whom she is belatedly sent off to teach so that her father can be bailed out of debt. The story carries you along, jogging and comfortable as a landau, and so smoothly sprung you don't feel the bumps.

Yet what is the point of the story without the bumps? Author Miles Franklin's own life was a near-tragedy. Her feminist unorthodoxy in late 19th Century Australia — she wanted her own career as a writer or musician, she wanted

will look as if it's burying its wetter head in the sand, preferring the soft backward abyss of nostalgia to the harsh but bracing air of truth. *My Brilliant Career* is lovely to look at, delightful to know, but far easier to forget than it should have been.

The *Big Fix* is impossible to work out, never mind remember or forget. Ever since *Watergate*, American thrillers have rushed to be embraced by the tentacle arms of political conspiracy drama. The giant squid on display here has so many arms and suction-cups that you can hardly find a space to breathe, let

sort out the plot and carrying in tow his two children from an ex-marriage and his voluminous Jewish mother. And the audience. The film is like an episode of *Star Trek* and *Hitch* that has got brain fever. It's so Byzantine you're ten paces behind most of the time and the best thing is to slacken off, or give up comprehensively, and just watch Dreyfuss the maestro at work. Whether getting high on a hookah or getting low on his mother's folksy Marxist dogmatism ("Come with me," she says to the children, "I wish motherly at one point, "and I'll tell you a story of the

muchacho macho marriages-of-like-minds between Eastwood and director Don Siegel (of *The Beguiled* and *Dirty Harry*), marvelously photographed by their veteran collaborator Bruce Surtees (of *ditto* and *ditto*). The movie's images are atomised into a kind of roughneck pointillism: coarse-grained, angular, visually stunning.

That's how the film looks. How it evolves dramatically is another, more potholing matter. Will Alcatraz, that top-lock island prison over the bay from San Francisco, lose its reputation for inescapability to Eastwood? Will he gouge a wide enough hole through his cell's ventilation shaft to escape to the rooftops and freedom? Patrick McGeehan clucks and eye-pops, menacingly as his Irish-brothered Warden, fellow inmates aethe and simmer picturesquely, and Eastwood walks through it all tall, cool and monolithic, looking more and more with each film as if he can only be a matter of time before he joins the geological immortals on Mount Rushmore.

A *Different Story* is one of the commercial cinema's periodic attempts to deal with homosexuality in a light-hearted and inoffensive way. Which generally means, as here, wrapping up the theme in a plot of such drivelling, hygienic fineness that it is likely to offend both heterosexuals and homosexuals.

A young gay man (Perry King) meets, befriends and shares a house with a young lesbian (Meg Foster), and after one semi-intoxicating spree in which they decide to get married and live the life of the Good Straight American Way. There, but for a few rib-tickling quasi-gay permutations (she goes out to work, he stays home to cook etc.), the dramatic and comic interest ends. The film is purpose-built to send audiences away feeling that homosexuality is no more serious or enduring than a cold in the head.

Why don't you go and see *The Incredible Hulk* instead? At least it has the courage of its own comic-strip insanity. Swelling green hieps, a mind-boggling casualtyrate in new clothing and a Boeing 747, weighed down by excess Hulkage, about to crash into Denver Airport. What more could you want from the cinema in a lean post-Christmas week?



Judy Davis in 'My Brilliant Career'

love affairs outside the domestic subjugation of marriage—sent her first into social purdah, then into literal exile.

But this cosy, pretty, morale-boosting movie flirts with suffering but never engages with it. It's gorgeous to look at, swimming around in the crystalline period haze of Australian movies, but it never pushes the story towards a sense of danger. The heroine has her little vicissitudes — quarrelling with her grandma, suffering jealousy pangs when her beloved ogles another girl — but the whole film seems to glide on rails of happy-ending predestination, towards the closing shot of her gazing with wistful, ah-the-future optimism across the lovely, lambent-lit Australian outback.

A few more movies like this and the Australian New Wave

alone see what's going on. Hollywood plot no longer thickens, they ramify and strangle.

Richard Dreyfuss, however, who showed he could handle a shark nicely in *Jaws*, does pretty well with the fish-mongery on show here. His pudgy schoolboy bumptiousness, upity and nervy and jumpity, is lent to the role of a less-than-well-heeled gumshoe who is hired to investigate evil doings in the California governorship elections. Who is doing what to whom? The air is thick with smear and slander. Dreyfuss's girlfriend Susan Anspach comes to a sticky end while campaigning for the liberal candidate, and "odds on!" what's this?—a plot to blow up a section of the Los Angeles freeway during rush-hour?

Dreyfuss rushes around like a decapitated capon trying to

Albanian labour party"), his bewildered muzziness is a joy to see. Hollywood hasn't had a more irresistible crewball star since the young Cary Grant.

From the irresistible force to the immovable object in *Escape From Alcatraz* Eastwood's flinty and obdurate charisma makes one feel that he would be better cast as the prison itself than as the convict trying to escape therefrom. Never mind: this is another of those



Anne Howells and Emile Belcourt

## Coliseum

## The Merry Widow

Lehar's *Merry Widow* returns to the fold of English National Opera in a new production by Colin Graham. It greatly pleased Wednesday night's audience and will no doubt please many more: the *Widow* is one of the few operettas that have safely crossed the musical class-harriers we still erect in London. There are more reasons, I suspect, than Lehar's richly tuneful score, though that is reason enough (what a treat, after poor Gassman's parsimony the night before, to come away humming). The book, with English lyrics by Christopher Hassall and John Cox and new dialogues by Edmund Tracey, is at once better than most and free of the satire and classical allusions that seem to worry people in Offenbach.

The last ENO production, some seven or eight years ago, showed signs of social realism, suggesting that the Pontevdrian Embassy in Paris might have been fairly seedy. Mr. Graham and his designer David Collis have no such ambitions (which in any case are not borne out by the chocolate pudding of a score). They set their Balkan enclave in a whirl of Métro entrance art nouveau. With the addition of a baby Brighton pavilion for the middle act, the framework serves as permanent set. If Mr. Collis hadn't astutely reserved his best costumes and colour-scheme for

the last act one might begin to feel over-whirled.

In spite of these practical but effective splendours, the text in its present guise is strong enough to keep its head up and repay the trouble lavished on it by writers and performers. The *Widow* comes out as a detailed study of two warring, strong personalities madly in love in their different ways, each determined not to give way—a sort of *Much Ado* about *Two Rare Shrews*. The couple, the disaffected first secretary Count Danilo Danilovitch and the millionaire widow Hanna Glavari, whose fortune must somehow be secured for her ailing Balkan homeland, are played by Emile Belcourt and Anne Howells.

Miss Howells has beauty and personal distinction of a kind rare in opera singers. Her movements are elegant and subtle, her stillnesses regal. The voice is an individual and seductive mezzo. It did not always do all she asked of it on Wednesday ("Vilja," as many *Hannas* before her have discovered, is a beast to bring off) but she did nothing unmusical, vulgar or uninteresting. She looked expectedly ravishing in spite of a difficult, not really becoming hair do.

As Count Danilo, a ravaged Lotherio with the external signs of rakehood but not the fatal inner weakness, Mr. Belcourt

gave a performance of immense charm and accomplishment—an object lesson in style, projection and feeling to jeunes premiers and those not so jeunes who hope to shine in these fields. The second couple—Valentine the erring wife of the Ambassador and her flirt Camille de Roailion, were taken by two of the ENO's best artists, Della Jones and Graham Clark. Neither have got their role entirely right—she is a little too heavy, he a little too light. But Miss Jones made up for much by her splendid appearance in the last act as an outrageous grisette with a croak like Mistinguett.

As the Ambassador Eric Shilling was alternately fretful and umbrageous; as his much-tried clerk Niegus John Fryatt, remained unrecognisably satirical until the (unremarkable) extra number added by Lehar for the first London production. As various Balkan diplomats and their ladies several members of the company gave strong support. Henry Krips conducted, firmly but not rigidly in control, dosing the whipped cream most tactfully—anyone who imagines this kind of score is easy to do so well must be mad. The chorus was jolly and the dancers bright (Pauline Grant's arrangements as usual seemed just right) even when they got out of step with the orchestra in the Pontevdrian dances.

RONALD CRICHTON

## Globe

## Born in the Gardens

One has wondered over the past few weeks what the West End managers had up their sleeves that justified all the special pleading in the face of economic crisis. At one fell swoop their case is illuminated by the arrival in Shaftesbury Avenue, via the Bristol Old Vic, of a new play by Peter Nichols that is as challenging as it is entertaining, as brilliantly acted as it is superbly contemporary as its setting, a milk delivery. *Born in the Gardens* is the best new play to be seen in London for over a year.

Not for the first time, Mr. Nichols has coaxed a metaphor for the state of the nation out of a thoroughly conceived and expertly realised domestic setting. What a relief to escape from those cosmic wars behind closed Hampstead doors. John Cunniff's cavernous, wood-paneled music room even asks its inhabitants to leave the stage for their drinks. We are in a mock Tudor barn where a drunken old self-made man is laid out in an open coffin surrounded by wreaths. His wife, Maud, maintains a desperate one-way conversation with his soundless television alumni while her son, Mo (Barry Foster, who has never been better), a crumpled dealer in antiquarian pornography, serves a ludicrous and highly-coloured cocktails in between indulgent assaults on a drum kit accompanied by his record collection of New Orleans jazz. The world is passing them by, they want no part of it, or its hectic devotion to new music, new manners, new political affiliations.

Maud's other children arrive with offers of escape. Hedley,

played with nctuous and devastating accuracy by Peter Bowles, is a Labour MP who sees his filial duty as the provider of domestic gadgetry. The freezer has been stocked with packet mince and Tupperware in bulk. Both commodities are palpably useless, especially in the face of Beryl Reid's towering comic performance as the spry and self-sufficient widow of 70, with her "aphrodisiac" curly blonde hair-do and "Michael" wave oven. Keeping in touch for her has become an extended ritual of dusting Mo's drum kit and slapping down imaginary mites as they crawl up her arms and breed in the easy chairs.

The third child is Mo's twin, Queenie, sun-tanned, twice divorced, and in the svelte shape of Jan Waters, just as much an alien intruder as Hedley, representing as she does an almost fictional jet-set life bounding between California and Malibu. The beautiful use of Bristol idiom and pronunciation means that Miss Reid cannot even pronounce foreign place names, let alone earth it is Hedley and Queenie are on about. Both outsiders have disembodied telephone conversations either side of the interval that hilariously imply that life for them, despite being sold as a desirable alternative, is dependent on the co-operation of lovers they despise.

The answer, according to Hedley, is for Maud to emigrate to a duplex in Palmer's Green with the dubious attraction of Brent Cross on the doorstep. Behind that offer lies more than a hint of shady property deals

and the rejection of social responsibility. And just to add flavour, the twins engage in some incestuous rib-tickling on the floor which leads to the revelation that Dad was more physically attracted to his daughter than to his wife. With out Mr. Nichols's priceless gift for trenchant satire in his character portrayals and underpinning traditionalist values, you could be forgiven for thinking you were watching something by Joe Orton in slow motion.

The whole play is quite breathtakingly well structured, so that, just at the right moment, we learn from Hedley a monument to mediocrity who can neither get his plants to flourish nor the Speaker to take notice of him in the House. Even the two carefully placed extraneous bangs, which signal Miss Reid's hobbling departure to wrestle with an old geyser, act as a richly symbolic commentary on her own withered life when now, presumably, revolves around apocryphal inspection of a war-time love letter the children discover in her plastic yellow handbag. We flash as we began, with Maud and Mo cuddling up once more to their separate fantasy hobbies.

I am quite overwhelmed by the whole experience, and no praise is too high for the tactful skill with which the director, Clifford Williams, has marshalled the elements of an unforgettable evening, rich in laughter and tears, a vivid and deeply felt parable for our times.

MICHAEL COVENEY

## Arts news in brief

The Arts Council is to hold a public forum on *The Arts Council and Literature* at 105 Piccadilly, London W1, on March 11 at 8 pm.

The forum will be chaired by Sir Roy Shaw, secretary-general of the Arts Council, while the chairman of the literature panel, Melvyn Bragg, and the literature director, Charles Osborne, will discuss the Council's work in the field of literature.

Requests for tickets should reach the Council's Press Office by February 25.

The British Institute of Recorded Sound has organised *A Tribute to Pierre Bernac*, to be given next Tuesday, January 29, at 7.30 pm, at 29, Exhibition Road, SW7. The speakers are Sir Lennox Berkeley, Wilfrid Radford, Felix Aprahamian and Graham Johnson, and some of Bernac's many recordings will

be heard. It is also hoped to launch *The Friends of Pierre Bernac*.

Sweeney Todd, the Stephen Sondheim musical which won eight Tony awards on Broadway, will open at the Theatre Royal, Drury Lane on July 2. Denis Quilley is taking the part of the demon barber and Sheila Hancock is to play Mrs. Lovett. It will be directed by Harold Prince.

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# The limits of detente

By DAVID SATTER, Moscow Correspondent

THE PROGRESS of detente has always been based on some necessary illusions. With the invasion of Afghanistan and the exile of Dr. Andrei Sakharov, the Nobel Peace Prize winner and leader of the Soviet human rights movement, they are being dispelled all at once. The Soviets want detente for political, economic and psychological reasons. Disarmament reduces arms expenditures and trade brings access to western goods. Cultural, technological and sporting exchanges earn the respectability which comes of co-operation with the rest of the world. But the Soviets, because of the ideological nature of their society, have no political goal — including detente — which transcends their commitment to expanding their own power. They have insisted from the beginning that Soviet military intervention in the Third World and the final say on how they treat their own people are no concern of anyone else.

Recent events have seemed to be dominated by a sinister automatism. The invasion of Afghanistan, expanded at a stroke the area of the Soviet military bloc, but it also prompted U.S. grain and technology embargoes and President Carter's intention to boycott the Olympic Games in Moscow.

Soviet officials answered the U.S. moves not by taking economic and political steps against the U.S., but by exiling Dr. Sakharov.

While it lasted, the freedom of Dr. Sakharov, who symbolised resistance to totalitarianism, epitomised the Soviet authorities' desire to appear less repressive, and to preserve

elements of trust and mutual comprehension essential to the development of East-West relations. His forcible removal from Moscow signals a new attitude towards dissent and towards the opinion of the outside world.

Relations between the Soviet Union and the U.S. have now sunk to their lowest level since the Cold War, and the speed with which this fabric of relations has come unravelling reflects the diametric opposition of the Soviet and American conceptions of detente, which could only be ignored, but not reconciled.

The U.S., guided by Dr. Henry Kissinger, the former Secretary of State, sought to restrain Soviet behaviour by creating a web of mutually beneficial relations that the Soviets would be unwilling to risk by adventures in the Third World or by the kind of mistreatment of their own citizens that would attract unfavourable attention in the West.

The Soviets saw detente more narrowly as a means of reducing military tension with the West to enable them to meet the threat from China and to gain western technology. They assumed it would be possible to continue to expand militarily in the third world and that the fate of the Soviet human rights movement, however much it might excite western public opinion, would not affect their relations with western governments.

The incompatibility of the two viewpoints became obvious at the latest with the invasion of Afghanistan. But the Soviets mounted their first overt challenge to detente, as the U.S.

understood it, in 1975, three years after President Nixon had gone to Moscow to sign the first Strategic Arms Limitation Agreement, SALT 1, and the major agreements on scientific and cultural exchanges and trade. Soviet advisers and Cuban troops intervened in the Angolan civil war and assured the victory of the MPLA faction of Mr. Agostinho Neto. The angry public reaction in the U.S. to the intervention was an important reason why the SALT 2 negotiations were put off for more than a year.

## Flexibility

The Soviets did show some flexibility on human rights. They avoided arresting prominent dissidents and allowed others to be exchanged. They did renounce the 1974 Trade Act when amendments made to it in the U.S. Congress tied trade advantages to explicit assurances that Jews would be allowed to leave the country. But Jewish emigration, after a temporary drop, began to increase to record levels a short time later. Soviet officials made a quiet effort to use this fact to get the amendments removed.

When President Jimmy Carter took office in 1977, the SALT-2 negotiations were resumed, but the reaction to the Angolan intervention did nothing to dissuade the Soviets using the Cubans as their proxies, from mounting another military operation in Ethiopia early in 1978. Soviet advisers, \$1bn worth of Soviet weapons and 17,000 Cuban soldiers helped the regime of Lieutenant Colonel Mengistu Haile Mariam

defeat an invasion from neighbouring Somalia. In 1978, Vietnam, a close ally of Moscow's, invaded Kampuchea and replaced the Pol Pot regime with the Vietnamese puppet government of Heng Samrin.

It was against this background that the Afghanistan crisis which threatens to take U.S.-Soviet relations back to the Cold War emerged. The Soviets were faced with a deteriorating situation in Afghanistan where a pro-Soviet Government, installed by a coup in 1978, appeared in danger of being overthrown by anti-Soviet Muslim guerrillas.

The Soviets paid no political price for their intervention in Angola and Ethiopia. But they cannot have been under any doubt that there would be a sharp American reaction if they scouted the U.S. notion of detente by intervening openly in Afghanistan.

Detente created greater security in Europe, but only on the condition that the Soviets did not go too far through open military intervention in tipping the balance of forces in the Third World. The U.S. had little choice but to link detente agreements to Soviet behaviour in the Third World because the Soviet Union has several inherent advantages there. No public outcry within the Soviet Union will prevent the dispatch of Soviet or Cuban troops to a zone of conflict. Once a Soviet-style regime has been installed in another country, the Soviets work to ensure that it will never be displaced.

When the Soviets decided to go into Afghanistan they had reason to be worried about the strategic situation on their



Soviet armoured personnel carriers in Afghanistan: expanding Soviet power is the chief goal

southern border. Soviet officials saw little prospect for good relations with Iran's religious leaders in the long run, in spite of present U.S.-Iranian conflicts. All attempts to improve relations with China had been rejected as China moved steadily closer to the U.S.

Soviet officials have said that when the Soviet Union went into Afghanistan they believed that they had very little to lose because of the failure of the U.S. Senate to ratify SALT-2, the NATO decision to deploy new medium range missiles in western Europe, the increase of U.S. and NATO defence spending, and the long standing U.S. failure to respond to Soviet "signals" asking for broader trade opportunities.

All this is probably true. But there is little possibility that the Soviet Union would have desisted from invading Afghanistan had the survival of a

Marxist regime there depended on it, no matter what the state of detente. The goodwill of the detente era carried within it the risk that people in West, who value the benefits of East-West cooperation, would lose their sense of realism. Even President Carter was affected by this.

When the U.S. announced its retaliatory measures, it was restricted in the methods it could choose, but the grain and technology embargoes and the threatened Olympic boycott, whatever their practical consequences, are certain to have a deep and lasting effect. Soviet leaders often betray a desire for Western style respectability and their decision to banish Dr. Sakharov, after 10 years of tolerating his dissident activities, is one measure of how deeply the U.S. rejection of them has hurt. The attitude of the Soviet regime towards dis-

sidents has always been repressive. The arrest and exile of Dr. Sakharov is a sign that, having given up hope of attaining Western style respectability, the Soviets are now about to demonstrate to the world the extent to which they had previously been restrained.

Mr. Roy Medvedev, the dissident historian, once noted that the 1970s had been the quietest decade in Soviet history, but added cautiously that there was no way to be sure that the stability that the leadership of Mr. Brezhnev had sought to bring to the country could be guaranteed in the years ahead. With Mr. Aleksai Kosygin, the 75-year-old Prime Minister, seriously ill after a heart attack and Mr. Brezhnev reportedly working only three or four hours a day because of failing health, the Soviet leaders and those who will soon succeed them face a world situation clouded with uncertainty.

## Technological innovations

From Dr. B. Seal, MEP for Yorkshire West  
Sir, — It is unfortunate that your editorial on "Adopting new technology" (January 11) merely repeats some of the views expressed in the Department of Employment report without comment, as there are many reasons for supposing that the effects of micro-electronics will be more dramatic over the next two decades than the report indicates.

Other studies have pointed out that technological innovations with a broad impact have, in the past, been responsible for widespread social dislocation. Because of the much wider effect of the micro-processor, however, we can no longer rely on sufficient economic growth to mitigate the undoubted social disruption which will occur over the next 20 years.

The Department of Employment report is only able to take such a rosy view of the employment impact of micro-electronics by defining "job loss" as actual forced redundancies rather than the decline in the number of people employed through "natural wastage". It may be that the number of redundancies directly attributable to micro-electronics will be low, but this will hardly compensate the school leavers who are unable to find jobs.

Far from British industry being in the grip of "exaggerated fears" about the employment impact of micro-electronics it is, as too often the case, wallowing in contented complacency.

Using any reasonable estimates, the employment situation in the 1980s will be extremely bad for both work force and productivity growth will far outstrip GDP growth. The accelerating productivity growth produced by micro-electronics, especially in the under-capitalised service sector, will without imaginative Government action in the near future, turn this situation into a dangerous crisis.

(Dr.) B. H. Seal, City Hall, Bradford, West Yorkshire.

## Citizen's band radio

From the Member of Greater London Council for Beale, Erith and Croydon.  
Sir, — The article by Eleanor Goodman (January 21) highlights the present impasse faced by Government in legalising the personal freedom of citizen's band radio.

The Government is faced with the dilemma of additional staff costs. The Minister quantified the number of civil servants required as "tens rather than hundreds." My estimate is 50, not all of whom will be additional to the present Post Office staff. Taking a liberal staff costing £12,000 per person, per year, plus licence fee (paid three years in advance over the counter when you buy your set) which totals £8.25m. By legalising CB, Government, therefore, receives additional revenue of £7.65m per year to which must be added the tax-

## Letters to the Editor

ation on sales profit, wage taxation on at least an extra 2,000 jobs created in the British electronics industry.

There is also the export potential of a superior British design when Europe is thrashing about looking for an alternative to their present radio mayhem.

Richard Tobyn, Members' Lobby, County Hall, SE1.

## Melting silver

From Mr. D. Toft  
Sir, — The chairman of Phillips, the auctioneers, was reported (January 22) as saying that the government should step in to stop the melting down of antique silver objects. His argument was that this was short-sighted and was destroying the national heritage.

Mr. Weston appears to believe that the heavy hand of Government prohibition is the best way to save people from their presumed lack of judgment. The fact is of course that the vast majority of the objects being sold for melting down is junk which the owners have wisely sold at the top of the market. I suspect that even a humble bullion dealer would be able to distinguish a priceless piece of national heritage from attic bric-a-brac.

D. M. Toft, The White House, 22 West Side, Wimbledon, SW19

## Paying child benefits

From the General Secretary, National Federation of Sub-Postmasters

Sir, — Further to "Observer's" comment (January 22) I hope you will be receptive to a personal "cri de coeur". It is not true, as has been stated in the Press elsewhere, that the Department of Health and Social Security pay a fee of 35p every time a child benefit voucher is encashed at the Post Office. The true figure for the weekly encashment is only just over 8p. The quoted figure of 3p for payment into a bank pays that may then be incurred in handling the account, not to the travelling costs of getting there.

The mothers of this country have already had to fight one battle to retain child benefits to their name. They do not want to lose that right now. Neither do they want to travel miles to find the nearest bank as against the ready accessibility of the Post Office. The net result of the proposals being considered, however, will, if brought into effect, make the local Post Office as scarce as the bank. This will then affect not only the payment of child benefits but all the other services and advice that are currently obtainable at the local sub-Post Office.

These are the dangers the public is facing from the ideas being considered by Government. Norman Taylor, Evelyn House, Windlesham Gardens, Shoreham-by-Sea, West Sussex.

## Employment Bill

From the National Chairman, Conservative Trade Unionists.  
Sir, — Mr. Len Murray's firm statement that the trade union

movement is opposed to the whole of the Government's Employment Bill is quite intolerable. Poll after poll has shown that the overwhelming majority of trade union members support the measures on secret ballots, secondary picketing and the closed shop. If anything they would like to see the Government go further.

These polls show that union activists are also enthusiastic. Mr. Murray and his colleagues should put their personal prejudices behind them and support the Government in its attempt to improve industrial relations along the lines that union members have clearly demonstrated they want and indeed along the lines that the TUC itself suggested under the last Government.

Fred Hardman, 32, Smith Square, SW1.

## Settling disputes

From the General Secretary, Aerospace Association, Engineers and Managers Association.

Sir, — Mr. Tom Boardman (January 14) on behalf of the Association of British Chambers of Commerce, commenting on the Employment Bill, says that Parliament has a duty to ensure that the law provides for disputes to be settled by less harmful methods than industrial action. We certainly agree with that.

No doubt Mr. Boardman's association has in mind such matters as secondary picketing, and the resolution of disputes between an employer and a recognised trade union. For the record, let me say at once that the Engineers' and Managers' Association is opposed to the introduction of closed shops. In this we differ markedly from the Amalgamated Union of Engineering Workers (TASS) which seeks a closed shop at every opportunity.

Our union does have one serious disagreement with the Employment Bill, and that is the proposal in clause 16 to repeal sections 11 to 16 of the Employment Protection Act, 1975, which set out the procedure for recognition of a trade union which seeks to represent its members for the purposes of collective bargaining. Under the EPA 1975 a union which has not been able to persuade an employer to recognise it has the option of appealing to the Advisory Conciliation and Arbitration Service for a recommendation. The majority of employers will accept such a recommendation.

In the aerospace industry, site managements which have so far declined to recognise the Aerospace Association have said that the union should go to ACAS. The fact that ACAS could be challenged if its report was thought to be perverse was a necessary safeguard. By the terms of the Employment Bill there will be no such safeguard. There will be no machinery whereby a trade union can challenge the refusal of an employer to grant recognition. If an employer is under pressure from a militant Communist-led trade union not to recognise another, moderate, trade union, and be buckles under that pressure, what then do we moderate do?

One answer would be to take to the streets, and thereby behave in a manner which our

members and the employers deplore. If our members had wanted to behave in that fashion they would have joined AUEW (TASS) in the first place.

We are dismayed that this Government should be in the process of dismantling ACAS. It is as though the Government is playing into the hands of the militants, and indicating that brute force can win the day on a recognition issue. How strange that in our day we find a body for the ill of secondary picketing, and a prescription for industrial action on recognition.

Peter Fairley, 39, High Street, Wheatthampstead, St. Albans, Herts.

## Travel in cities

From Mr. I. Simons  
Sir, — Anatole Kaletsky's Lombard (January 11) struck a responsive chord in a returning London resident who has enjoyed and marvelled at the Paris region public transport system for the last five years. Is there no cross fertilisation in this era of rapid communications between public transport authorities in different countries: why not emulate or at least learn something from the best?

If London now has one of the worst and most expensive systems of public transport in Western Europe, Paris arguably has the best and cheapest. It is very heavily subsidised. For between £8 and £12 a month one can travel on a season ticket on any part of the Paris and Paris region public transport system (bus, metro, SNCF) at any time as often as desired. An annual season works out cheaper still. The 10-ticket carnet (about 25p per ticket) may be used on either bus or metro and the single ticket journey costing the most (30p). No queuing at ticket offices on embarking on a journey, none on leaving stations: less hassle, frequent trains and buses, more cars left at home, less staff needed and more spot checks and policing of the system.

On the other side of the subsidy coin: the increasing number of people leaving their cars at home because they can travel cheaply and conveniently by public transport. And how many thousands of productive man hours gained through arriving at work less exhausted in Paris than in central London?

Maybe Sir Horace Cutler could persuade Leslie Chapman to spend a few days in Paris? Ian Simons, 6, Holland Park, W11.

## Fiendishly unexciting

From the Director of the Civil Service Selection Board  
Sir, — "Men and Matters" (January 22) makes "fendish examinations" seem more exciting than they really are. The people we subject to trial by closed circuit TV are our selectors — as part of their training as interviewers. But we never train the video cameras on candidates, however photogenic they may be.

C. E. H. Tuck, Civil Service Department, Civil Service Selection Board, Standard House, 28, Northumberland Avenue, WC2.

## Today's Events

UK: Mr. David Howell, Energy Secretary, speaks at Leeds Chamber of Commerce dinner, Queen's Hotel, Leeds, during tour of Yorkshire.  
Mr. Norman Fowler, Transport Minister, visits Metropolitan Cammell, Birmingham.  
National Joint Consultative Committee for Building annual meeting, London.  
Mr. Nigel Lawson, Treasury Financial Secretary, tours East Anglia.  
Mr. Mark Carlisle, Education Secretary, speaks at Knutsford Conservative Association Women's Conference, Bowdoo, Cheshire.

starts official visit to India (until January 29).  
Election of President in Iran.

PARLIAMENTARY BUSINESS  
House of Commons: Private members' motions.

OFFICIAL STATISTICS  
Bricks and cement production figures for December. Sales and orders in the engineering industries for October.

COMPANY MEETINGS  
Chemring, Alchem Works, Fratton, Portsmouth, 12.  
Frederick Cooper, The Goldboro

Hotel, Penn Road, Wolverhampton, 12.  
John Williams of Cardiff, The Royal Hotel, St. Mary Street, Cardiff, 12.

COMPANY RESULTS  
Final dividend: Glandfield Lawrence. Interim dividend: John Brown, Hallite Holdings.

LUNCHTIME MUSIC, London  
Organ recital by Professor Gordon Phillips, All Hallows-by-the-Tower, Byward Street, EC3, 12.15 and 1.15 pm.  
Organ recital, St. Paul's Cathedral, 12.30 pm.

Piano recital by Julia Cload, St. Mario's-within-Ludgate, EC4, 1.15 pm.

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# Rank up 7.6% to £131m Davy halved to £4.5m and raises payment holds interim dividend

DESPITE THE effects of the national transport and engineering strikes, Rank Organisation increased pre-tax profits by 7.6 per cent from a restated £121.95m to a record £131.19m in the year ended October 31, 1979, on turnover of £537.83m against £485.1m.

First-half profits had risen from £57.36m to £64.41m and Mr. Harry Smith, the chairman, said that with the improvement expected to continue, the full year result should show an increase over 1977-78.

He now says that benefits from the continued drive to increase profitability levels throughout the group will enable it to maintain the strongly rising trend in profits.

This is also expected to lead to a marked improvement in the percentage of profits earned in net operating assets employed. The group's Australian subsidiary incurred a loss of some £0.6m in 1978-79, compared with £0.5m profits previously. Turnover was up from £55.1m in 1978-79 to £60.9m but rationalisation costs and the impact of external strikes raised a temporary setback. However, a return to a significant level of profits is forecast for the current year.

Group trading profits advanced from £38.16m to £43.76m, with Butlins, Rank Hotels, and some industrial and consumer products companies and leisure activities producing higher figures.

Share of profits of Rank Xerox companies rose by £4m to £101.8m, with no significant benefits accruing from exchange rate movements during 1979, compared with the gain of £8m previously.

Tax for the year took £53.73m (£52.56m) and stated earnings per 25p share rose marginally from 38.2p to 38.4p. The total dividend is raised from 8.8888p to 10.8p net, with a final of 6p.

Rank Hotels earned record

profits, some 25 per cent higher than the previous year, while Butlins' increased profits by 20 per cent, with record holiday bookings of 1.6m.

Leisure Caravan Parks contributed post-acquisition trading profits of £4m and in the leisure services activities, entertainment, banqueting, bingo, catering and advertising films achieved an overall profit increase of 24 per cent.

Among the industrial and consumer products division, profits of Rank Film Laboratories jumped 30 per cent and Audio Visual by nearly 20 per cent.

Rank Cintel sold a record number of broadcast television systems, including a large number of portable and Rank Electronic Tubes beat stiff U.S. competition to win a significant order in the American military aircraft equipment market.

Property companies' profits were up 10 per cent, while losses on the manufacture and sales of radio and television were further reduced from nearly £1m in 1978 to less than £0.3m.

Comparative figures have been restated in line with effect of new accounting standards for depreciation (SSAP 15). These changes reduced the 1977-78 trading profits and pre-tax profits by £1.1m.

Additional depreciation charge resulting from compliance with SSAP 12 was around £1m. The accounting change for deferred tax reduced tax charge by £3.5m (£2.88m).

The proceeds of the £62.4m rights issue last March were applied mainly in repaying loans arising from the purchase of Leisure Caravan Parks, and in raising a number of major foreign currency borrowings. The balance enabled the group to offset higher interest charges on other borrowings.

The issue benefited Rank in that without it the net interest charge would have been increased by about £5m, while together with an issue of redeemable preference shares in Canada, it enabled another substantial decrease to be achieved in the group's gearing ratio — down from 63 per cent to 36 per cent.

The chairman reports that the group is therefore in a strong financial position to withstand any general economic difficulties in 1980. In addition, it has been able to retain £1.3m profits for future development.

Taxable profits of the wholly-owned Rank subsidiary, Rank Precision Industries (Holdings), improved from £57.19m to £59.44m for the 1978-79 year on turnover marginally higher at £43.1m (£42.94m).

With trading surplus down by £1.43m to £4.22m, the pre-tax result was boosted by an increase in interest receivable from £2.59m to £4.28m and associated contributions of £50.94m (£48.93m).

Tax takes £26.23m (£26.84m) and after minorities and extraordinary items, attributable profits rose from £38.27m to £43.76m. Comparisons restated in line with the change in accounting policy for deferred tax. Dividends again absorbed £13.82m.

Investment income of A. Kersey and Sons, which is controlled by Rank, advanced from £6.31m to £6.81m for the year to end-October, 1979. Tax takes £884.624 (£880.134) and net profits were ahead from £5.83m to £6.13m.

Stated earnings per 5p share rose from 66.79p to 70.25p, while a final dividend hoisted from 18.66p to 22.4p net makes a total for the year of 87p against 85.06p, costing £7.56m (£7.03m). A three-for-one scrip issue is also proposed.

See Lex

PRE-TAX PROFITS of Davy Corporation, the international engineering and contracting group, were almost halved in the six months to September 30, 1979, at £4.56m compared with £8.52m.

Sir John Buckley, chairman, says it is clear even at this stage that full-year profits will be significantly below the £26.13m achieved last year.

The net interim dividend is held at 2p—last year's total was 6.7p.

In the half year, the manufacturing companies suffered from the UK engineers' strike and continuing general adverse trading conditions, the chairman says. The engineering and construction companies' overall profit margins have not reached last year's level.

Several of the contracts being carried out by the U.S. Olsen operation failed to achieve the results expected and provisions for losses have had to be made, he adds. Management of the operation has been changed.

However, the U.S. Davy McKee company has continued to build up its order book. The opportunities in the group's markets remain good, the chairman says.

Turnover for the half year improved from £216.31m to £252.46m. After tax of £1.52m (£2.5m), net profit came through lower at £2.74m against £5.62m.

See Lex

## HIGHLIGHTS

After a brief comment on the gyrating, gilt-edged market yesterday Lex passes on to a discussion of the Rank Organisation results where market expectation for non-Xerox activities have been exceeded, though Rank-Xerox is fairly much in line with outside projections. Elsewhere on the company scene Davy Corporation suffered a sharp setback after difficulties in its U.S. operation. At Inchcape, loss elimination, cocoa trading activities plus recovery in South East Asia have pushed the company along towards its forecast recovery. On the inside pages Mithras looks badly down and a deep dividend cut and the future looks poor for the current year. Fitch Lovell's profits are well up and comments are also made on the figures from Macarthy's Pharmaceuticals, Cowan de Groot, and Ferguson Industrial.

## W. G. Allen down in first half

DISAPPOINTING results, as a direct consequence of last year's restructuring, are reported by the directors of W. G. Allen and Sons (Tipton), engineer, for the six months ended September 30, 1979.

Turnover and pre-tax profits were both down from £3.99m to £3.85m and from £279,000 to £212,000, respectively, for the period.

Despatches of goods in the

December quarter, however, were substantially above average, they state. This led to a marked improvement in trading profit which has recovered some of the ground lost.

The directors believe that results for the full year should compare with 1978-79 — profits were £60,590 on a £7.88m turnover — provided the steel and other industrial supplies outside group control are not unduly disruptive.

After first-half tax of £110,000 against £145,000, attributable profits came out at £122,000 (£134,000), which the interim dividend, unchanged at 0.8p net per 25p share, will absorb £28.75—last year's final payment was 21.6p.

## Whatlings reduces deficit but final dividend cut to 1p

HINDERED BY a depressed trading climate, Whatlings, civil engineer and building contractor, returned to profitability in the second six months ended September 30, 1979 but finished the year with a pre-tax loss of £232,106 previously. Turnover rose slightly from £18.29m to £19.95m.

When announcing a first-half deficit of £280,000 (£110,000 profit) the directors forecast that the full year result would show a recovery from the position then reported—in the event, profits of some £22,000 were achieved in the second period.

But, in view of the present uncertain trading conditions the final dividend is being cut from 1.96p to 1p net, making a total of 1.9p (2.56p) per 25p share. Stated loss was 3.06p (4.31p earnings) per share.

Mr. J. Robertson, the chairman, says the construction industry remains depressed and indications are that the Government intends to cut capital expenditure still further. With private developments in the building sector also likely to be affected by high interest rates, he says it is difficult to see how the industry and the company cannot expect to be immune.

However, he expresses hope that these problems will be overcome. The company has on hand sufficient work to maintain turnover this year and a reasonable proportion is in the private sector, which is thought less vulnerable at present.

During the year, the overseas company, which had traded satisfactorily in the Middle East for a few years, found difficulty in obtaining contracts at profitable margins and, with the increasing political risk in the area, it was decided to withdraw from operations. As a result, an exceptional terminal cost of £116,246 was incurred.

In the UK, with keen market conditions, the group had a number of difficult contracts, which are now largely complete, but it suffered from the effects of a severe winter and a wet summer.

In addition, the group has financed considerable sums owing to it, costing £148,982 in overdraft interest.

Considering these adverse factors, Mr. Robertson says the company has performed reasonably well.

The chairman says the 1978-79 balance sheet shows the group is well set for further growth in 1980.

Pre-tax profits of construction and related activities increased from £19,400 to £24,900 in the year. The directors add that the recently acquired Farver construction companies contributed significantly to the construction side.

Timber division profits were unchanged at £350,000, losses in the timber component manufacturing company being offset by improvements elsewhere.

The share of associates' losses amounting to £224,000 (£355,000) was attributable to Nigerian operations. The directors explain that the extraordinary debit of £330,000 provides for a reduction in the company's commitments in that country.

The net total dividend is raised by 3p per cent to 5.75p (4.35p), with a final of 4.25p. After a slightly reduced cost charge of £50,000 (£205,000) stated earnings per 25p share are up from 24.9p to 37.1p.

WILKINSON MATCH REORGANISATION

Wilkinson Sword and Bryant and May are to be brought under

the control of a single operating board in a move which Wilkinson Match chief executive, Mr. Christopher Lewington, says will significantly strengthen UK consumer product operations, reduce costs and provide a good base for the future.

Announcing the reorganisation, Mr. John Bloxidge, Wilkinson Match UK managing director, said the aim was increased sales effectiveness backed by stricter cost controls and improved operating efficiency.

Mr. Peter Spira, Sotheby's finance director, said yesterday he believed that Americans had been buying, but could not comment on whether the purchases emanated from a single source.

American Express, which has been rumoured as a possible bidder, categorically denied that it was preparing an offer for the group.

Sotheby rises another 10p

The share price of Sotheby's rose 10p to 485p yesterday, bringing its increase so far this week to 75p. The movement follows an optimistic statement by the chairman, published on Monday, but there have also been reports of heavy buying from the U.S.

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## Inchcape rises £8m mid-year

REFLECTING greatly improved results from a number of areas, particularly South East Asia and the Far East, taxable profits of Inchcape, international merchant, expanded by more than £8m from £23m to £31.16m for the half year ended September 30, 1979. And the directors say the improvement has continued into the second half.

Profits for the 1978-79 year fell from £62.3m to £41.05m after charging £17.9m (£8.4m) in respect of trading losses and provisions made by the Dutch commodity trading subsidiaries—a peak of £7.8m was achieved in 1978-79.

The directors state that had the items in overseas currencies been translated into sterling at the rates of exchange ruling for the previous year—at December 31, 1978—profits would have been some £3.3m higher in the first six months.

The net interim dividend, 7.15p per £1 share compared with 6.5p, will absorb £5.79m, and directors forecast a total of not less than 13.15p (15.5p) for the year.

Half year 1979 1978 1978-79  
Turnover £31,596 £23,003 £8,593  
Tax £7,708 £3,908 £3,799  
Net profit £23,888 £19,095 £4,793  
Minority interest 1,527 677 1,850  
Pre-tax profit £22,361 £18,418 £3,943  
See Lex

(adjusted 0.77p) and the dividend for the year is effectively increased from 0.6p to 0.7p net.

The U.S. \$4m back-to-back loan has been refinanced with straight borrowings.

Net asset value per share, assuming full conversion of loan stock, edged ahead from 73.2p to 75.5p at the year-end.

The underlying portfolio of investments, largely invested in smaller companies with emphasis in North America, performed well and growth of capital expressed in local currencies was over 30 per cent. However, results had to absorb the abolition of the investment currency premium and effects of the strong pound.

Watson and Philip looks to England

PRE-TAX profits of Watson and Philip, Scottish-based food distributor, fell from £852,000 to £790,000 in the year to October 26, 1979, but with tax being cut from £458,000 to £171,000, net profit was considerably higher at £608,000 against £593,000.

At the halfway stage, pre-tax profits were £400,000 and the board said a swift return to easier trading conditions was unlikely.

Commenting on the full year's figures, Mr. D. C. Greig, the chairman, says recent acquisitions will benefit the group's operations in Scotland. Progress made in England has encouraged the board to look for further sources of expansion there, he adds.

With the economic outlook for 1980 universally expected to be one of recession, Mr. Greig says it would be unwise to speak optimistically about the immediate future.

Turnover was slightly higher at £84.36m against £84.23m. The final dividend is set at 5p making a total of 12.25p. Earnings per 10p share are given as 7.3p (5p).

Trafalgar in good heart and full of confidence

THERE was "no reason why the current year's profit increase should not be a useful one," Mr. Nigel Brookes, chairman of the Trafalgar House Group told shareholders at the annual meeting yesterday. However, it was not his practice to give a forecast at this time of the year.

Mr. Brookes warned shareholders that if the steel strike went on for another two or three months "it would cost us a lot," but meanwhile the company had not so far been seriously affected. In fact "in a pretty unpleasant economic climate we are doing better than we expected."

The first three months in the newspaper and magazine division had produced "extremely good results," Mr. Brookes said, and immediate prospects were also good.

In answer to a question from a shareholder he said some progress had been made dealing with the restrictive practices in the newspaper industry, but it was a complicated process.

Meanwhile, Mr. Victor Matthews, as chairman of Express Newspapers had achieved freedom from industrial disputes.

Property profits were likely to be higher this year, Mr. Brookes confirmed, as a result of the increase in the development programme. Profits from the division could be comfortably into "eight figures."

Overall, the company was "confident and in good heart."

## LOOKERS LIMITED

Preliminary results for the year ended 30th September 1979 (unaudited)

	Year to 30.9.79	Year to 30.9.78
Turnover	£88,211,053	£57,271,636
Group profit before taxation	2,000,286	1,718,476
Taxation	458,040	260,676
Group profit after taxation	1,542,246	1,457,800
Extraordinary items	220,830	—

Profit after extraordinary items being the profit for the year attributable to shareholders

	£1,521,467	£1,457,800
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Dividends per 25p share—Interim 1.45p paid 25th September 1979 (1978—1.68p)

	1979	1978
Final of 2.45p payable 30th April 1980 (1978—1.74565p)	183,538	129,419
Supplementary dividend paid in respect of previous year	—	1,742

Retained Profit

	£285,431	£205,169
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Earnings per share

	27.0p	23.2p
— before taxation	27.0p	23.2p
— after taxation	20.5p	18.2p

Record results have again been achieved by the Company. Over 50% of the trading profit has been earned in businesses other than BL Cars franchises.

It is proposed to pay a final dividend of 2.45p per share which, together with the interim dividend already paid, is a total increase of 40% for the year.

Management accounts produced since the year-end show a reduction in profit compared with the previous year. The present low demand for new vehicles coupled with the current adverse factors clearly indicates that profits for the current year will be less than those earned last year. We are, however, confident that the strength of our business and the diversification in our activities will prevent too serious a decline.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone: 01-621 1917

1978-80	Company	Price	Change	Gross	Yield	P/E
High Low				Div (p)		
39	21	A. & P. Group	77	—	6.7	9.2
29	38	Armstrong & Whitcomb	29	—	3.8	9.7
127	185	Barton H.	127	—	11.1	9.7
101	61	Deborah Ltd.	51	—	2.9	10.1
84	140	Deborah (P.A.) Co. Ltd.	104	—	17.5	10.2
129	109	Federated Paper	109	—	12.8	11.9
102	142	George W. & Co.	102	—	18.5	15.6
81	45	Johnson Group	45	—	2.2	16.2
141	119	James Buchanan	119	—	7.2	10.1
80	78	Twicken 1721 U.S.	78	—	11.1	12.5
222	175	Toddy Limited	222	—	11.1	12.5
34	184	Twicken 1721 U.S.	34	—	0.3	2.9
86	23	Unicel Holdings	23	—	12.0	15.8
84	42	Walter Alexander	42	—	2.4	12.7
190	138	W. & A. Vassall	138	—	0.5	6.2

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by price and/or acquisition issues. ‡Total of net less

## Macarthy's Pharmaceuticals sees just over £3m for full year

PRE-TAX PROFITS of Macarthy's Pharmaceuticals fell from £1.85m to £1.61m for the half year ended October 31, 1979 and the directors anticipate that second-half profits will be slightly lower than those of the first.

Profits for the whole of the previous year were a record £3.75m.

External sales, though ahead by 27 per cent from £55.61m to £70.7m, were less than that budgeted because of depressed trading in the second half of the period. This affected the pharmaceutical wholesale and retail divisions mainly, the directors state.

Sales, however, have moved much closer to budgets, over the past two months.

Profit margins were down from 3.3 to 2.3 per cent. On capital increased by last

August's one-for-four rights issue, earnings are shown as 6.6p per 20p share, compared with 5p, and the interim dividend is 2p (1.5p) net—last year's final was 5p.

At the time of the rights issue the directors forecast a 1979-80 dividend of not less than the previous year's total, on the increased capital.

Loss of production during extensive rebuilding resulted in the deficit for the period of the pharmaceutical manufacturing company, the directors state, a modest profit is expected for the full year.

Six months	1979	1978
External sales	70,702	55,611
Pharma. mfg.	1,599	1,416
Pharma. distrib.	58,084	43,678
Surgical	6,611	5,179
Retailing	8,073	6,832
Voluntary	5,576	3,928
Pre-tax profit	1,852	1,852
Pharma. mfg. loss	1,607	1,838
Pharma. distrib.	1,277	1,473
Surgical	20	210
Retailing	320	355
Veterinary	275	228
Local unrolled profit	30	28
Management	247	215
Staff bonus	209	240
Tax	837	364
Net profit	772	884
Pre-tax dividend	14	14
Available	756	870

Margins in both pharmaceutical wholesaling and retailing companies continue to be under pressure but the additional 5p per prescription from January 1 will increase the income of Sotony and Moore by about £150,000 in a full year.

The surgical and veterinary divisions performed well and produced useful increases in both sales and profits, they add.

## Companies and Markets

## UK COMPANY NEWS

## MINING NEWS

## Mt. Lyell makes good progress

BY KENNETH MARSTON, MINING EDITOR

WHILE the Consolidated Gold Fields group continues to enjoy a high income from its South African mines, its Tasmanian metal mines in Tasmania are making an increased contribution to the London group's fortunes.

It is particularly encouraging to note that the previously struggling Mount Lyell copper operation is coming right. It has repaid the "first aid" subsidy received from the Commonwealth Government and has made a net profit for the half-year to January 9 of A\$2.53m (£2.23m) compared with a loss of A\$2.94m a year ago.

Production in the latest period was lower because of strikes in the first three months. But two shipments of concentrates were made to Japan compared with only one shipment in the same period of the previous year.

Mount Lyell also benefited from higher prices for its copper and by-product precious metals; gold output in the latest period amounted to 210.173 grammes (6.757 troy ounces) and silver 1.16m grammes (37.375 ozs).

Now that Mount Lyell has recovered from its past "touch and go" situation and seems set for higher earnings in the current half year, shareholders

will be hoping for a resumption of dividends. This may not be long delayed in view of the company's statement that it has decided not to declare a dividend until the results for the full financial year (to June 30) are known.

The group's greatly successful tin mine in Tasmania, Renison, has also suffered from industrial unrest in the first quarter of its current financial year to next June. As far as earnings are concerned, there have been no special factors and production has fallen.

However, the higher tin prices received have left the mine better off on balance with a net profit for the half-year to December 25 of A\$12.48m against A\$10.76m in the same period of 1978. The interim dividend is raised to 60 pence (28p) from 47.5 pence last time when a final of 72.5 pence followed.

Renison says that it has been encouraged by studies, into the feasibility of installing a tin fuming plant and trials are scheduled for a 100-tonne sample of low grade concentrate. Such a plant, if successful, would produce concentrates with a higher metal content which would mean savings in shipping and smelting charges.

## Norcen rejects Labrador offer

THE MANAGEMENT of Norcen Energy Resources, the major Canadian oil and gas producer and distributor, yesterday said an offer of C\$40 a share by Labrador Mining and Exploration for 7.2m Norcen shares is far too low, reports Robert Gibbons from Montreal.

Labrador Mining is part of the Hollinger-Argus group, owned by the Conrad Black interests of Toronto, which also controls Massey-Ferguson and several other major companies.

The Norcen management said Labrador's offer is "less than the present asset value of Norcen common shares" and does not take into account future prospects, profit, cash flow and asset growth. Members of the Norcen board would not sell their stock under the Labrador offer.

Labrador already owns almost 10 per cent of Norcen and its offer would bring its interest to 40 per cent and effective control if it succeeds. In the past week Norcen shares have risen from C\$34 to more than C\$38.

Labrador said it thinks the offer is fair and represents a 30 per cent premium over the price of Norcen stock in the market before Christmas when Labrador began buying to build up its initial stake of 10 per cent. "We think Norcen's management is good and we have no quarrel with them."

Analysts believe that Norcen will continue its opposition to the Labrador bid and a counter bid from other sources is thought possible.

## FIH £1m. higher at nine months

THIRD-QUARTER taxable profits of Ferguson Industrial Holdings jumped 80 per cent from £270,000 to £1.02m, lifting the surplus for the nine months to November 30, 1979 from £1.63m to £2.7m. Last year there were total profits of £2.24m.

The final outcome for the year should be up to expectations, says the chairman, Mr. D. S. Vernon. Trading in the final quarter is satisfactory bearing in mind that traditional holiday closures in December mean little addition to profitability in that month.

An interim dividend of 2.2p was announced in November, and the directors then expected full year's payment to total 5.2p, compared to an equivalent 4.4p.

Record third quarter sales of £22.33m (£16.72m) left the total for nine months at £60.5m against £43.23m. This compares with sales for the whole of last year of £58.52m.

An extraordinary credit of £88,000 (£159,000) represents the profit, after tax, on the sale of shares in Bredon and Cloud Hill Lime Works. This investment had been intended as long term, remarks Mr. Vernon, but when the share price rose, it was thought right to take the profit and use the sale proceeds of £535,000 to reduce borrowings. Subsequent increases in interest rates and the decline in the stock market have vindicated this decision, he adds.

## Bass beer sales rise significantly

which is suffering from the strength of sterling, but this is more than offset by the dramatic improvement of the printing divisions. Ferguson would doubtless like to issue more paper in order to reduce gearing (debt is around 50 per cent of share-holder funds) and finance its longstanding acquisition strategy, but with its shares at the present level it will probably wait.

FURTHER PROGRESS has been achieved by Bass, the brewery group, in the first quarter of the current year. Mr. Derek Palmer, the chairman, told the annual meeting that beer volumes had advanced well and were significantly ahead of the same period of the previous year.

Sales of wines and spirits, soft drinks and the revenue from hotels had not been as good as expected, particularly in December. However, the chairman confirmed his forecast of further progress for the group as a whole, despite the difficult economic conditions.

The group proposes to introduce a share ownership scheme for employees.

The offer for sale by leader of £6.5m preference stock by The Felixstowe Dock and Railway Company was over subscribed by a small margin when the application list closed yesterday.

The offer attracted applications totalling £6.83m at an average price of £8.43 per cent. The minimum tender price was £8.80 per cent.

The proceeds will be used to meet part of the cost of the proposed £27m expansion for the port. The company is a subsidiary of European Ferries.

## Second half loss depresses Muirhead by over £1.2m

A PRE-TAX loss of £20,000, compared with £1.23m profit, in the second half, left Muirhead, communications equipment group, showing a profit for the year to September 30, 1979, more than halved from £2.14m to £911,000. In addition the net dividend is cut 21 per cent to 4p.

Midway the surplus was ahead of £321,000 (£362,000) and the order book was at a record level. However, a number of major data communication systems orders had been delayed and this position, aggravated by the strength of sterling, continued in the second six months, the directors say.

At the trading level profit for the year in the UK fell to £1.46m (£2.17m) while overseas it slumped from £243,000 to £82,000. Overall sales were up £1.35m at £22.52m.

A tax credit of £616,000, against a £431,000 charge, left stated earnings per 25p share for the year at 19.7p (22.2p). In view of the profit setback and current working capital requirements the net total dividend is

reduced to 4p (5.075p) by a 1.3p final.

The drop in order intake led to a high stock level and, therefore, bank borrowings. This coupled with high interest rates, pushed interest costs up to £278,000 (£204,000) as interest earned dropped to £3,000 (£22,000). In addition debenture interest absorbed £59,000 (£87,000).

Including an extraordinary gain this time of £156,000, and after minorities, available profit emerged little changed at £1.66m (£1.7m) of which £1.32m (£1.28m) was retained.

comment  
Down 15p to 215p yesterday, Muirhead is still only yielding 2.6 per cent after its steep dividend cut. To stay at anything like this level, the shares have to rely heavily on speculation about the intentions of Tyco Laboratories which has quickly built up a 14.7 per cent stake in its equity. There are some external reasons for the 57 per

cent annual pre-tax shortfall—the engineers strike and events in Iran—but the seeds of the year's disappointment look to have been more deeply rooted. Orders for facsimile production have been wanting and the attendant increase in stocks has played an obvious role in the higher cost of working capital. The strength of sterling has been a major factor in a poor ordering position and there is no reason to believe that this obstacle has diminished since the turn of the financial year, and more than inflationary pressures, which have had such a severe effect on rotating component sales, have subsided. The current crisis has clearly started badly after the fire at the plant in Madeira and the traditionally high stock position suggests that interest charges will again be a problem. But the group's well established defence markets, in ship stabiliser systems and altimeter encoders for example, have mostly been forgotten in the facsimile downturn. Perhaps Tyco has remembered.

## Six-month jump for Greycoat Estates but slowdown forecast

A NEAR 600 per cent increase in net profits is reported by Greycoat Estates (formerly Chaddesley Investments) for the six months to September 30, 1979.

With pre-tax profits climbing from £200,039 to £373,465 on turnover up from £516,561 to £592,171, tax charged was slightly lower at £151,320 against £164,786 which saw the net profit leaping from £52,553 to £222,145.

The chairman, Lord Chelmer, points out, however, that these figures include substantially all of the anticipated income for the present financial year and group profits, both before and after tax for the full year, are likely to be somewhat lower than those for the half-year.

They will, nevertheless, show a considerable improvement over the previous full year's results when profits after tax and pre-acquisition profits for the year to March 31, 1979 were £70,337.

Lord Chelmer states that all projects in the development programme are proceeding satisfactorily.

a proposal to amend the trust deeds constituting the stocks by varying the existing restrictions contained in the trust deeds relating to the change of nature of the business of Cavenham.

This will bring the restrictions in the trust deeds into line with those contained in Cavenham's Eurobond borrowing.

In consideration for agreeing to the amendment, the stocks will be guaranteed by Cavenham's ultimate parent company, Generale Occidentale, and the interest rate on the stocks increased by half a per cent.

A meeting of loan stock holders has been called for February 18.

General uncertainties make it impossible to give a firm forecast for the current year, says Mr. Battle. There are indications of a downturn in most areas and the company expects first half profits to be lower than last year's £2.75m.

The group has a sound financial base, however, to withstand the difficult economic conditions which may lie ahead.

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£40.02m to £47.08m, tax charged was up from £1.55m to £1.6m. Earnings per 20p share are shown as 43.3p against 42.4p. The final dividend is 6.55p making a total of 10.75p—an increase of some 40 per cent on the previous total of 7.58p.

Mr. Derrick Battle, managing director, says a number of companies contributed to the improvement, including Project Office Furniture, B and B Trailers, Hago Products and the Newman Granger division. Beantalk found the export going

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## BOND DRAWING

**NORGES KOMMUNALBANK 7 1/2% 1977/1986 UA LOAN**

Bonds for the amount of UA 1,000,000 have been drawn on January 11, 1980 in the presence of a Notary Public.

The Bonds will be repaid by coupon No 10 on March 15, 1980. The draw is made in the usual manner, NOT YET PREVIOUSLY REDEEMED, included in the range beginning:

Amount outstanding UA 14,000

Amount outstanding UA 5,500,000

Outstanding drawn Bonds:

223 and 324	327 and 328	329 and 330	331 and 332
333 and 334	335 and 336	337 and 338	339 and 340
341 and 342	343 and 344	345 and 346	347 and 348
349 and 350	351 and 352	353 and 354	355 and 356
357 and 358	359 and 360	361 and 362	363 and 364
365 and 366	367 and 368	369 and 370	371 and 372
373 and 374	375 and 376	377 and 378	379 and 380
381 and 382	383 and 384	385 and 386	387 and 388
389 and 390	391 and 392	393 and 394	395 and 396
397 and 398	399 and 400	401 and 402	403 and 404
405 and 406	407 and 408	409 and 410	411 and 412
413 and 414	415 and 416	417 and 418	419 and 420
421 and 422	423 and 424	425 and 426	427 and 428
429 and 430	431 and 432	433 and 434	435 and 436
437 and 438	439 and 440	441 and 442	443 and 444
445 and 446	447 and 448	449 and 450	451 and 452
453 and 454	455 and 456	457 and 458	459 and 460
461 and 462	463 and 464	465 and 466	467 and 468
469 and 470	471 and 472	473 and 474	475 and 476
477 and 478	479 and 480	481 and 482	483 and 484
485 and 486	487 and 488	489 and 490	491 and 492
493 and 494	495 and 496	497 and 498	499 and 500

THE TRUSTEE  
FINIMTRUST S.A.

## SALES BY AUCTION

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**IMPORTANT AUCTION PHOTOGRAPHICA**

RARE CAMERAS, EARLY FILM CAMERAS  
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Start both days at 11 o'clock

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PETZOLD THE PHOTOGRAPHICA PEOPLE

## COMPANY NOTICES

## BRAZILIAN EQUITY

## HOLDINGS S.A.

## NOTICE OF ANNUAL GENERAL MEETING

## 15 Rue Adrien

## LUXEMBOURG

## The Annual General Meeting of

## shareholders of 1980 will be held at

## 27 Avenue de la Liberté, Luxembourg

## on 24 February 1980 at 11.30 a.m. for

## the purpose of considering and voting

## upon the following matters:

## 1. To hear and accept the reports of

## the directors;

## 2. To approve the directors' report

## and the profit and loss account for

## the financial year ended 30 September

## 1979;

## 3. To decide on the reduction of the

## share premium account;

## 4. To discharge the directors and the

## auditor with respect to their performance

## of duty during the financial year

## ended 30 September 1979;

## 5. To approve the payment of the

## dividend for the year ended 30

## September 1979;

## 6. To elect the directors to serve until

## the next annual general meeting of

## shareholders;

## 7. To elect the auditor to serve until

## the next annual general meeting of

## shareholders;

## 8. To decide on the appointment of

## directors to be elected at the meeting;

## 9. To decide on the appointment of

## auditors to be elected at the meeting;

## 10. To decide on the appointment of

## directors to be elected at the meeting;

## 11. To decide on the appointment of

## auditors to be elected at the meeting;

## 12. To decide on the appointment of

## directors to be elected at the meeting;

## 13. To decide on the appointment of

## auditors to be elected at the meeting;

## 14. To decide on the appointment of

## directors to be elected at the meeting;

## 15. To decide on the appointment of

## auditors to be elected at the meeting;

## 16. To decide on the appointment of

## directors to be elected at the meeting;

## 17. To decide on the appointment of

## auditors to be elected at the meeting;

## 18. To decide on the appointment of

## directors to be elected at the meeting;

## 19. To decide on the appointment of

## auditors to be elected at the meeting;

## 20. To decide on the appointment of

## directors to be elected at the meeting;

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## auditors to be elected at the meeting;

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## directors to be elected at the meeting;

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## auditors to be elected at the meeting;

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## directors to be elected at the meeting;

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## directors to be elected at the meeting;

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## auditors to be elected at the meeting;

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## 40. To decide on the appointment of

## directors to be elected at the meeting;

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Companies  
and Markets

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## Rights issue as earnings rise at Landis and Gyr

BY JOHN WICKS IN ZURICH

SWISS electrical engineer Landis and Gyr is to raise around SwFr 10.9m (\$6.75m) by a rights issue, and plans to pay an unchanged 10 per cent dividend for the year ended September 1979.

The rights issue is to be a one-for-12 at par. Landis raised funds by way of rights in 1979 and 1978. At the same time, 25,000 new priority participation certificates (nominal value SwFr 160) are to be taken over by the company's welfare fund and offered to employees.

Results for 1979 show a 4.6 per cent rise in turnover to SwFr 1.03bn (\$644.3m) and a rise of 10 per cent in orders received to SwFr 1.08bn (\$674.3m). Cash flow is reported to have risen by 8.4 per cent to SwFr 114m last year and total earnings by as much as 22.5 per cent to SwFr 58.7m. Landis, whose orders in air-

conditioning equipment last year rose sharply, was hampered by the strength of the Swiss franc exchange rate. Turnover rose by some 10 per cent.

SWISS BANK Corporation is to float a SwFr 100m bond on the domestic capital market from next Tuesday. In strict contrast to customary practice, coupon, maturity and price of the first issue will be fixed on the first day of the subscription period.

The capital market in Switzerland has been unsettled for some time against a background of mounting international uncertainty and interest rates. A reflection of the latter is the way the big banks have increased rates for three to 12-month deposits by 0.25 per cent to 5 per cent. This brings the rates up to their highest level in five years.

THE SWISS mortgage rate is to be raised by 0.5 per cent this move, which has been awaited for some months in view of the general rises in interest rates, is heralded by an announcement by the market leader, Zurich Cantonal Bank, of a rise from 4 to 4.5 per cent for first mortgages and for loans to public authorities and co-operatives. The increase will take place on April 1 for new business, and on May 1 for existing mortgages and loans.

The rise, which will be followed by the rest of the banks, goes hand in hand with a similar 0.5 per cent increase on April 1 in rates of interest on savings accounts. The big banks have announced that they will introduce this same increase, with a rise in mortgage rates at the same time, as the Zurich Cantonal Bank.

## Foreign loan exposure to be monitored by Bank

BY NICHOLAS COLCHESTER

THE Bank of England is now in the process of compiling the loan exposure of UK banks to foreign countries at the end of 1979. This exercise will provide the Bank of England with its first consolidated picture of the "country risk" of all the international dependencies of each bank with a head office in the UK.

This monitoring will take place henceforth on a six-monthly basis. It reflects the Bank's increasing emphasis on bank supervision which derives partly from the Bank's new statutory responsibilities under the Banking Act and partly from the concerted move by Western central banks towards more rigorous surveillance of international bank lending. The banking supervisory authorities in other developed countries either have instituted, or will be instituting, similar monitoring of consolidated country risk, thus contributing to an overall picture of the exposure of all banking groups.

In parallel to the monitoring of country risk, the Bank is also developing more formal guidelines for various aspects of the balance sheets of UK banks. A consultative paper on "capital adequacy," which has been under discussion for some time, is now said to be virtually in its final form. This will give guidance as to how much capital is required to back a given bank's loans and liabilities.

Two further papers on "liquidity" and on "foreign exchange exposure" have also been circulated among UK banks for discussion. The first will give guidance as to what proportion of a given bank's assets should be quickly realisable to meet sudden withdrawal of deposits. The second should ensure that the foreign exchange position of a given bank does not become disproportionate to that bank's size.

Unlike the country risk exercise these evolving guidelines will apply to all banks registered in the UK, whether head offices or not.

All these steps coincide with the emergence of bank supervision as one of the most important activities of the Bank of England: in the recent reorganisation of the central bank's structure, "financial structure and supervision" was designated as one of three main areas of the Bank's operations.

## Counter-bid in French retail industry battle

BY DAVID WHITE IN PARIS

ANOTHER BOURSE battle has begun in the French retail sector where companies are vying for position in an industry move towards greater concentration.

The battle over La Ruche Picarde a food store group based in the North of France, comes just two months after the conclusion of a fierce five-week-long contest over the Paris-France shopping chain.

In the case of Paris-France, the Au Printemps group, which made the original offer, eventually withdrew from the field after being repeatedly outbid by a smaller concern, Radar, which managed to secure the support of Paris-France's directors.

At the end of December, Docks de France, a chain with a 1979 turnover of FF 8.45bn (\$2.1bn), announced plans to absorb the smaller La Ruche Picarde. The last would create one of the biggest food distribution networks in France.

The two companies' hypermarkets would account for about two-thirds of their joint sales, which are estimated at FF

11.5bn for last year, and together would form a nationwide chain.

However, a FF 371m counter-bid which had been expected on the Bourse for several days, has been announced by a company called Societe de Participations Immobiliere et Commerciales. This is a holding unit attached to a group which, like La Ruche Picarde, is family-controlled and Northern-based.

Working through Lazard Freres, the merchant bank, the group has offered FF 550 a share for at least 51 per cent of the 675,000 shares in La Ruche Picarde. This compares with a FF 480 evaluation in Docks de France's more complex offer, which involved an exchange of shares against convertible bonds plus a cash payment.

The last quoted price for La Ruche Picarde on the Lille bourse was FF 450. Curiously, however, La Ruche Picarde's board, which controls 56 per cent of the stock, has spoken in favour of the original bid.

## Net D-Mark debt cut

FRANKFURT — Net funds raised on the West German capital market were in deficit by DM 1.99bn in December, down sharply from the gain of DM 6.13bn posted in November, according to the Bundesbank.

Net funds raised on the German capital markets for the whole of 1979 totalled DM 42.1bn, down from DM 44.6bn in 1978 and from DM 50.5bn in 1977. Total funds raised in 1979 were DM 106.5bn and redemptions totalled DM 64.4bn, considerably higher in each case than the readings for 1978.

The central bank noted that net fund raising in December was at a low level partly because of the fact that credit-instituting institutions redeemed nearly DM 2.3bn from their own stocks. Analysts noted that such redemptions play a greater role as the end of the year approaches and added that the figure for net funds raised in December would have posted a surplus of DM 300m rather than the deficit if this seasonal movement of funds had not been included. AP-DJ

## Profits at Astra in line with forecast

By William Dullforce in Stockholm

SWEDISH pharmaceuticals group, Astra, reports pre-tax earnings of around SKr 150m (\$36.1m) on sales of SKr 1.5bn for 1979. Both figures are in line with the management's forecast in the eight-month interim report.

The board will propose a dividend when the final figures are announced in March. The prospectus for last year's new share issue promised shareholders a 10 per cent return of SKr 5 a share. The 1978 dividend was SKr 6 a share, equivalent to SKr 4 adjusted for the new share issue.

In 1978 Astra returned a pre-tax profit of SKr 137m on a turnover of just over SKr 2bn, but last year it sold its non-pharmaceutical subsidiaries and abandoned the Ciba-Geigy agency for the Nordic countries.

After adjusting for these disposals the 1979 figures show increases of 17 per cent in sales and 21 per cent in pre-tax earnings. Profit margins have improved from 6.7 to 8 per cent.

Astra will also record extraordinary income of around SKr 20m from property and company sales. These, together with last year's SKr 108m new share issue, have substantially reinforced the company's financial position. Liquid assets held at the end of the year amounted to more than SKr 300m, against SKr 164m a year earlier, and the equity-to-debt ratio has improved from 33 to around 42 per cent.

With this cash in hand the management proposes to raise research and development spending by over 20 per cent to more than SKr 300m this year. It has several promising new products under development. Investment in plant and equipment totalled SKr 140m last year.

Despite the increased development spending, the management expects to raise pre-tax earnings to SKr 165m-175m this year, while the target for sales is between SKr 1.97bn and SKr 2.02bn.

Astra's concentration means that 96 per cent of its sales will now come from pharmaceuticals. The company's growth is being effected largely outside Sweden.

While domestic sales only kept pace with the growth in the overall market last year, foreign sales climbed by 22 per cent and accounted for 71 per cent of total turnover. Sales of the new beta-blocker drug, Seloken, rose by 60 per cent to SKr 240m.

## Higher sales for Finnish pulp group

By Lance Keyworth in Helsinki

SCHLAUMAN GROUP, one of the largest integrated forest industry companies in Finland, reports a 31 per cent increase in net sales to FM 1.42bn (\$336m) for 1979. Turnover of the parent company, With Schaanua, rose by 35 per cent to FM 1.21 bn.

The chemical pulp division, with net sales of FM 643m, accounted for half of the company's total turnover. But the division with the greatest relative increase was sawmilling, which increased sales by 56.8 per cent to FM 115m.

## Esso AG to raise capital spending sharply in 1980

BY KEVIN DONE IN FRANKFURT

ESSO, the West German subsidiary of Exxon, the giant U.S. oil company, is planning capital expenditure of some DM 600m in the Federal Republic in 1980, an increase of more than a third over 1979.

About 40 per cent of the total will be spent on oil and gas exploration and development onshore in West Germany. In a joint venture with Shell, Esso is the most important domestic producer of crude oil and gas in West Germany. In 1978 it produced a total of 6bn cubic metres of natural gas and 700,000 tonnes of crude oil.

West German domestic production of oil and gas makes only a small contribution to its total needs. Crude oil production in 1978 totalled just over 5m tonnes and natural gas production amounted to 18.8bn cubic metres.

The other major portion of investment this year will be devoted to Esso's "downstream" oil business, in modernising refineries and restructuring the company's chain of service stations.

At present it has a network of 3,054 petrol stations around the country, and Esso is in the process of converting a greater number to self-service stations. The remaining 30 per cent

of the investment programme will cover Esso's chemicals and uranium exploration activities. The search for domestic uranium deposits in West Germany has been under way for about three years and Esso has made the first interesting find in Bavaria, east of Nuremberg. This year it is planning to sink a shaft at the site to test the commercial potential of the find.

West Germany will account for about 16 per cent of Exxon's spending in Western Europe this year. Deutsche Shell, the West German subsidiary of the Royal Dutch/Shell group, expects to report a profit of DM 250m-300m for 1979, compared with DM 210m in 1978. Dr. Wilhelm von Ilseman, chief executive of Deutsche Shell, said this week.

The group's oil business was forced into the red in the last quarter of the year after operating profitably in the first nine months of the year, because of the sharp rise in crude oil prices.

In the first quarter of this year its crude oil purchases are costing on average DM 420 per tonne (DM 460 per tonne when spot purchases are included) compared with DM 242 per tonne in the first half of last year.

## Fiat sets 1981 date for consolidating accounts

BY PAUL BETTS IN ROME

FIAT, Italy's largest private enterprise, will consolidate its balance sheets and audit them according to international standards from 1981, the Turin-based company confirmed yesterday.

The fact that Fiat, with a group turnover of more than L15,000bn (\$18.5bn) last year, has so far not consolidated its balance sheets has been the source of some curiosity and controversy here.

But the group claimed yesterday that the delay in consolidation and independent auditing was the result of technical difficulties posed by the wide diversification of the group's interests overseas. Further delays had been caused by the protracted introduction of Italian fiscal legislation requiring Italian company balance sheets to be independently audited.

From 1981, Fiat's balance sheets are to be audited by the U.S. firm, Arthur Andersen.

Consolidation of the balance sheets will also effectively mark the final act in the group's ambitious reorganisation programme, which has already taken nearly 10 years and now sees a single parent company, Fiat SpA, controlling 11 separate operating companies.

Indeed, the top management reorganisation of the parent company is still continuing. In this respect, Sig. Nicola Turfelli, stepped down this week as managing director of the Fiat parent company to concentrate on the group's overall international activities.

Sig. Turfelli, who remains on the Fiat board, was appointed one of three managing directors of Fiat SpA during the company's reorganisation last year. The other managing directors are Sig. Umberto Agnelli, brother of Sig. Giovanni Agnelli, the Fiat chairman, and Sig. Cesare Romiti, who is largely responsible for finance.

## Malaysian Oxygen growth

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN Oxygen Berhad, the company formed by the merger last year of the British and French oxygen companies in Malaysia, is expanding its production facilities.

Some 10.5m ringgit was invested in 1979 on plant expansion, including the installation of a new air separation plant—the largest in south-east Asia—for the production of argon gas. The expansion will make Malaysian Oxygen one of

the biggest industrial gas companies in the Far East.

According to the company, the new facilities will not only increase production but will improve on the use of electricity, which is the biggest single cost component.

For 1979, Malaysian Oxygen made a trading profit of 6.3m ringgit (\$2.39m) on sales of 43m ringgit. The 1978 profit and sales were 5.9m ringgit and 37m ringgit respectively.

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# Japanese see increase in OPEC investment interest

By CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MEMBERS of the Organisation of Petroleum Exporting Countries (OPEC) which have shown little or no interest in acquiring yen-denominated assets since the start of the so-called second oil crisis, could be about to change their tune, according to some Japanese analysts.

OPEC investments in Japan (in the form of bank deposits, bonds and equities) are thought to have stood at almost exactly the same level at the end of 1979 as they did a year earlier. This is despite a sharp increase in OPEC surpluses from higher oil prices. It is also in contrast to the pattern of events after the first (1973) oil crisis when Japan benefited from a big inflow of OPEC money.

Factors discouraging OPEC countries from putting money into Japan in 1979 undoubtedly included the sharp decline in the value of the yen against the dollar. A recovery of the yen might make Japan a much more attractive destination for OPEC funds, but Japan, say the analysts, is unlikely to be deluged with OPEC money in the near future.

One reason for this is that

massive conversion of dollar-denominated OPEC assets into yen could undermine the value of the dollar and thus affect the value of remaining dollar-denominated OPEC assets.

According to current estimates, oil exporting countries have about ¥1,000bn (\$4.2bn) deposited with Japanese commercial banks, in the form of time deposits and certificates of deposit. They also hold an estimated 10 per cent of the roughly \$500-worth of Japanese equities held by foreigners, and at least one-third of foreign investments in Japanese bonds, the bulk of which may exceed \$10bn.

These figures have not varied greatly in the recent past, but two recent developments suggest that OPEC interest in Japanese investments might be reviving. One, is increased activity by Kuwait in the purchase of shares in blue-chip Japanese companies. The other is the rumoured acquisition by the Saudi Arabian Monetary Authority of some ¥500bn-worth of Japanese Government bonds.

Kuwait's investment activities in Japan have been easy to docu-

ment, since it invests under its own name rather than through nominees as has been the case with most other oil exporting nations. Saudi Arabia's bond purchases are thought to have been made through the Bank of Japan and have therefore not been made public.

Another oil exporting nation which seems to have become active recently as an equity investor in Japan is Brunei, which has placed orders through the Crown Agents. Abu Dhabi has also signalled its interest in Japan by adding a Japanese fund manager to managers previously recruited from UK merchant banks.

Oil exporting countries are believed to have between 5 and 20 per cent of their assets invested in yen at present. In general these ratios do not match the relative importance of Japan vis-a-vis the U.S. and European countries as an investment medium. Japan ranks far behind the UK as a destination for OPEC investments, but could prove to be an attractive alternative. The Japanese authorities appear less averse to admitting OPEC funds than the Swiss or German authorities.

## First issue of Chinese bonds since 1949

By Anthony Rowley in Hong Kong

BONDS denominated in renminbi, the Chinese currency, are to be issued by Fujian, one of two provinces chosen to spearhead China's modernisation drive. The bonds will be issued in Hong Kong as well as in China. Limited though this issue is likely to be, in size and in circulation, it will nevertheless be the first issue of China bonds to the outside world since the founding of the People's Republic in 1949.

The proposed issue is more important for its implications than its size. Lawyers are already mulling over whether the issue could trigger cross-default clauses, because of the still sizeable (although unquantified) volume of outstanding bond debt upon which Chinese imperial and pre-revolutionary governments and entities have defaulted. And bond dealers are wondering how the development will affect the now booming collector/investor market in these default debt instruments, or "husted bonds."

Not that issues like these appear likely to upset the plans of Fujian — one of China's most go-ahead and autonomous provinces — which is hungry for foreign capital to finance its export-oriented industrialisation drive. The province's deputy governor, Mr. Zhang Yi, who is also president of the Fujian Investment and Enterprise Corporation, said that the repayment of former Chinese governments' debts were "matters for the central government."

Fujian's new bonds will be guaranteed by the provincial authorities, not by the Bank of China, which will be acting as agent for the issue both in Fujian province and, if current negotiations with the bank's headquarters in Peking do not throw up any unexpected hitch, in Hong Kong as well. This is significant, because foreign institutional investors, including securities houses in Hong Kong and merchant banks in London, have said that they would be wary of any new Chinese debt which did not carry an explicit guarantee from the Bank of China.

The proceeds of the bond issue will be used in financing light industrial development in Fujian. Mr. Zhang said, but the total amount to be issued has not yet been decided. "The amount will depend upon what the provincial government feels it can safely guarantee," he said, and added that this would be the first time a new issue was issued.

Three types of bond will be issued — eight-year, 10-year and 12-year. Interest will be at a fixed rate (payable once annually) of 8 per cent on the 12-year bonds, 7 per cent on the 10-year ones and 6 per cent in the case of the eight-year bonds.

Fujian's bonds will be aimed principally at overseas Chinese in Hong Kong and South-East Asia, although "foreigners" who "have confidence in them are welcome to hold them," Mr. Zhang said.

Mr. Zhang added that Fujian had no plans at present to issue bonds in currencies other than the renminbi. Some observers expect to see a similar issue out of Guangdong, and others that the province which is spearheading China's modernisation drive and which is also competing keenly for foreign capital and investment. They speculate that these could contain even more innovative features, to vie with Fujian's bonds. And it is always possible that, having already itself already of sizeable "soft" loans and Export-Import Bank credits from Japan and Europe, as well as a syndicated bank loan from Middle Eastern Banks, Peking itself might launch a major bond one day.

Before embarking upon such a course, which could lead it into an international legal tangle, it is possible that the Peking Government might decide to redeem the outstanding debts of its predecessors — or so investors speculate. They reason that it would be a relatively cheap exercise for Peking, because perhaps half of the outstanding Chinese bonds issued to foreigners have been destroyed by individual holders who lost hope, or by banks who found them a nuisance to store after interest and principal repayments ceased altogether around 1989. Many of the remaining issues — some of which are still quoted on the London Stock Exchange — are now standing at above their par value among collectors, so they are unlikely to be submitted for redemption. Peking could thus regain a good deal of goodwill among international investors without having to pay much in return. Collectors, however, do not seem too keen on the idea. "A redemption offer could be the worst thing that could happen to the bond market," said one agent who makes a market in Chinese bonds in Hong Kong on behalf of the London dealer, Stanley Gibbons.

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**BANK OF AMERICA  
INTERNATIONAL LIMITED**

## \$300m loan for San Miguel

By OUR HONG KONG CORRESPONDENT

SAN MIGUEL CORPORATION, the Philippines-based brewery group, has signed a US\$300m syndicated bank loan to finance the expansion of its manufacturing and distribution facilities in the Philippines.

The loan, which was signed in Hong Kong, has a maturity of 12 years, which reflects the fact that the Philippine Central Bank has been putting pressure on all borrowers in the country to secure loan terms beyond 12 years. This avoids the borrowing quota which the International Monetary Fund has imposed on all banks of one to 12 years by couples accepting IMF conditions in return

for financial aid.

The San Miguel loan has a five-year grace period and carries a 0.75 per cent spread over the London inter-bank offered rate (Libor) for the first six years and 0.875 per cent for the remaining period. This represents a compromise between the rate San Miguel actually wanted, and what the lending banks were prepared to offer.

The proceeds of the loan will be drawn down over the next three-and-a-half years to finance the expansion of San Miguel's manufacturing and distribution facilities in the Philippines. This particularly covers beer-

ages, feeds and poultry, dairy and container operations. San Miguel is also expanding its activities in the agricultural and export fields, and has investments in a wide range of enterprises both in the Philippines and overseas.

Lead banks to the loan were Bankamerica International Group, Bank of Montreal (Asia), Bank of Nova Scotia, Dresdner Bank (South-East Asia), First Chicago Asia, Merchant Bank, Lloyds Bank International, and Manufacturers Hanover Asia. Apart from the lead management group, the loan syndicate consisted of 16 international banks.

## Hambro sale sparks row in Sydney market

By John Rogers in Sydney

TRADING in the securities of Australian Finance and Securities (AFS) was temporarily suspended by the Sydney Stock Exchange yesterday after it was revealed that the company's biggest shareholder, the UK-owned merchant bank Hambro Australia, had sold a subsidiary company holding its 34 per cent stake in the New Zealand finance house Marac Holdings for an undisclosed sum.

The exchange contacted the parties involved and requested that they abide by the new January 1 listing requirements, which state that an offer must be made for the remainder of the capital when a stake of over 20 per cent of any company changes hands. The exchange was told by Hambro and Marac that the purchase was within the guidelines set down by the Federal Government's Foreign Investment Review Board covering one foreign company buying shares in another.

The exchange committee issued a statement instructing Marac to honour the spirit of the new listing requirements and make a similar offer to the minority shareholders. Alternatively, it suggested that the deal be called off or that Marac reduce its stake below the 20 per cent threshold level.

Marac replied that after consulting its legal advisers, it had been told that "the acquisition of a non-listed company, which in turn owns a substantial shareholding in a listed company (as opposed to a direct acquisition of shares in a listed company) is not prohibited by the new listing requirements."

All AFS could do was to ask the exchange to lift the suspension, as the transaction was outside the control of the company.

## Cleckheaton sale dropped

By Our Sydney Correspondent

MR. ABRAHAM GOLDBERG, the Melbourne businessman, has abandoned his plan to sell the Cleckheaton textile interests to his latest acquisition, the Sydney-based Entrad group. Mr. Goldberg currently owns 76 per cent of Entrad, and has undertaken to stand in the sharemarket after some prompting from the Sydney Stock Exchange and bid for the rest at 98 cents a share.

Yesterday's announcement, however, means that the mystery buyer (or buyers) who recently countered Mr. Goldberg's offer at prices of up to \$1.05, has now accumulated just on 10 per cent of Entrad, making it extremely difficult for the Cleckheaton purchase to be passed by the minority shareholders at an extraordinary meeting.

Under the stock exchange listing requirements, Mr. Goldberg, who built up his stake in Entrad after buying out the 41 per cent held by the Union Bank of Switzerland, cannot vote his shares. The mystery buyer's 10 per cent stake, therefore, would be sufficient to block Mr. Goldberg's aspirations.

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Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by

### The Bank of Tokyo, Ltd.

(Incorporated in Japan)

In accordance with the provisions of the Agency Agreement between Bank of Tokyo (Curaçao) Holding N.V., The Bank of Tokyo, Ltd., and Citibank, N.A., dated October 23, 1979, notice is hereby given that the Rate of Interest has been fixed at 14 1/2% p.a. and that the interest payable on the relevant Interest Payment Date, April 25, 1980, against Coupon No. 2 will be U.S.\$184.05 and has been computed on the actual number of days elapsed (91) divided by 360.

January 25, 1980  
By: Citibank, N.A., London, Agent Bank

**CITIBANK**



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Maturity date 26th January 1981

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Agent Bank

**Hill Samuel & Co. Limited,  
London**

## MITSUBISHI BANK Condensed Balance Sheet As of September 30, 1979

Assets	Figures shown in thousands	
Cash and Due from Banks.....	¥1,859,114,413	(SE 3,767,203)
Call Loans .....	170,998,190	( 346,501)
Securities.....	1,817,249,785	( 3,682,370)
Loans and Bills Discounted .....	7,599,255,679	(15,338,694)
Foreign Exchanges .....	723,294,930	( 1,465,643)
Domestic Exchange Settlement a/c, Dr. ....	148,787,239	( 301,494)
Bank Premises and Real Estate .....	167,565,374	( 339,545)
Other Assets .....	83,991,866	( 170,196)
Customers' Liabilities for Acceptances and Guarantees.....	1,252,635,460	( 2,538,269)
<b>Total Assets.....</b>	<b>¥13,822,892,936</b>	<b>(SE28,009,915)</b>
Liabilities		
Deposits .....	¥9,805,422,689	(SE 19,869,144)
Call Money .....	1,154,679,260	( 2,339,776)
Borrowed Money .....	504,311,454	( 1,021,908)
Foreign Exchanges .....	178,424,993	( 361,550)
Domestic Exchange Settlement a/c, Cr. ....	141,453,091	( 286,632)
Accrued Expenses.....	177,728,669	( 360,139)
Unearned Income .....	51,395,900	( 104,145)
Other Liabilities .....	55,000,209	( 111,449)
Reserve for Possible Loan Losses .....	91,504,402	( 185,419)
Reserve for Retirement Allowances .....	43,107,667	( 87,351)
Other Reserves.....	20,150,188	( 40,831)
Acceptances & Guarantees .....	1,252,635,460	( 2,538,269)
<b>Total Liabilities .....</b>	<b>¥13,475,813,980</b>	<b>(SE27,306,614)</b>
Capital Funds		
Capital (Paid-up).....	¥ 89,100,000	(SE 180,547)
Legal Reserve .....	24,020,826	( 48,575)
Other Surplus.....	233,958,130	( 474,079)
<b>Total Capital Funds.....</b>	<b>¥347,078,956</b>	<b>( SE703,301)</b>
<b>Total Liabilities &amp; Capital Funds .....</b>	<b>¥13,822,892,936</b>	<b>(SE28,009,915)</b>

Exchange Rate: ¥488.50 per SE cent rate on September 30, 1979.

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# Poor Hungary chooses coal and nuclear power

WHATEVER their propaganda line about the economic and energy crises of the capitalist world, the Communist regimes of eastern Europe are facing the same energy problems. There is a difference, however, in the degree of candour which in each case reflects both the underlying energy situation and the political style in the country concerned. Hungary has the distinction of being one of the poorest eastern bloc countries in terms of resources yet perhaps the most outspoken as far as economic and fuel problems are concerned.

Proof of unprecedented frankness for a Communist party dictatorship came with a lengthy front-page article with the provocative headline—"Do We Need Nuclear Power At All?" in the elite cultural weekly *Elet* (Life and Literature) in June 1979. The article was fully in favour of atomic energy but drew attention to the fact that the Hungarian public was concerned about the dangers involved in building a nuclear plant in the Danube at the city of Paks.

Any view of the country's medium and long term energy programme should be seen in the context of Hungary's extremely vulnerable position in the field of available resources. The economic weekly *Figyelő* suggested the drawing of an imaginary circle around Hungary with a radius of some 300 miles and comparing Hungary's natural wealth to that of the 11 other countries within the circle. Excluding the Soviet Union which through its sheer weight would dramatically exaggerate any comparisons, the survey found that in terms of fuels Hungary was six times poorer than the average of the neighbouring or not too distant countries. In ore it was 11 times poorer and in those of the most important industrial minerals five times. Taking the combined total of minerals per head, Hungary takes the eighth place among the 11 states, followed only by Austria, East Germany and Italy. Apart from haixite, Hungary has no natural wealth worth speaking of. With 1975 imports were needed to provide half of the country's energy consumption. As a member of Comecon and relying in the 1970s on Soviet crude oil and natural gas in over 93 to 99 per cent of domestic demands, Hungary has never had much room for an independent energy policy.

The ups and downs of Hungary's nuclear programme reflect the dangers of excessive dependence on Soviet supplies. As everybody agreed that Hungary would be unable to satisfy the rapidly growing demand for energy, a Hungarian-Soviet nuclear agreement was signed in 1966. It envisaged the building of a nuclear plant based on the Soviet-designed VVER-1000 type

nuclear reactor with a capacity of 880MW. The plant at Paks on the Danube, about 70 miles south of Budapest should have gone into operation in 1975. Work on the site began at hectic pace in 1968 only to peter out towards the end of the same year.

After a long period of embarrased silence, the then Minister of Heavy Industry revealed in December, 1970, that the project had not been abandoned but delayed by five years. Meanwhile, the planners had concluded that in view of "larger than expected hydrocarbon supplies," it would be cheaper to build conventional power plants based on hydrocarbons. Two major oil refineries at Szazhalom and Leninvaros were built with a current refining capacity of 1.4m and 1.8m tons respectively.

From 1965 to 1975 the consumption of crude oil trebled and the proportion of hydrocarbons in terms of the basic sources of energy was rising rapidly from 28.3 per cent in 1965 to 43 per cent in 1970, 57 per cent in 1975 and an esti-

mate of 63.4 per cent by 1985. As a result Hungary's refinery capacity is far too large for the current and foreseeable level of Soviet crude supplies. The new refinery complex at Leninvaros for example has a capacity of 3m tons a year and is going on stream in mid-1980. But as admitted recently by the party paper *Nepszabadsag*, capacity exceeds actual domestic demand. Thus currently Hungary is processing 1m tons of crude oil less than originally targeted in the current (1976-80) five-year plan. With regard to natural gas,

As noted recently by Professor Ivan Berenyi, one of the country's top economists in the Tarsadalmi Szemle, the party's theoretical monthly, "only a vigorous cut in the imports of fuel and raw materials could bring a 'quick remedy' for the problems caused by the overall economic imbalance. As a first step the price of coal and heating oil was steeply increased last summer for private consumers. From this year industrial consumers must pay 59 per cent more for natural gas, 64 per cent more for coal

of the Danube. Long term projections put the share of nuclear power by 2000 at half of the total energy demand. The Paks nuclear plant is the country's single largest investment project. Despite the engagement of 10,000 workers by 50 various state enterprises, there are growing fears of a delay in completion. In addition to the weaknesses in the domestic side—poor coordination, inadequate labour discipline, had organisation—the delay occurred also because the Soviet side in 1974 radically altered the original plans, demanding back to 1985 to comply with stricter safety requirements. Thus the task of construction has become "much more complicated" according to a report in the newspapers about the deliberation of Parliament's industrial sub-committee which last summer reviewed the problems of the Paks plant on the spot.

But in addition to nuclear power, Hungary has also opted for an all-out increase of coal output. With investments of almost £700m four new pits will be developed and two other mines reconstructed. By 1985 coal output should be increased from 25m tons in 1979 to 27m tons and by 1990 to 31m tons. This was the level reached in 1965 before the shift from solid fuels to hydrocarbons. Coal accounted in 1965 for 68 per cent of domestic energy production, in 1970 for 52.3 per cent, but in 1980 only for 27.6 per cent. However, hard coal accounts currently only for some 3m tons of output. Domestic crude oil output this year is expected to total 2.1m tons and natural gas output some 8m cubic metres.

Faced with dwindling reserves and growing demand, Hungary also participates in the vast joint extraction projects of the Comecon in the Soviet Union, it was publicly revealed some time ago that these projects in the 1970s-1980s would account for 3 per cent of Hungary's total investments and 8 per cent of its centrally-managed investment funds. Together with Poland and Czechoslovakia, Hungary is a partner also in the joint financing of a nuclear plant to be built at an estimated cost of 2.3bn dollars at Khmelnytskyi in the Soviet Ukraine. The agreement was concluded in Moscow in March 1979.

This year imports account for 55.6 per cent of energy consumption and it is hoped that due to the commissioning of the nuclear plant at Paks this proportion will be reduced to 53 per cent by 1985. Thus in the foreseeable future Hungary will feel the pinch of the energy squeeze, already reflected in the reduction of street lighting and other power cuts imposed last summer and in two petrol price increases totalling 63 per cent last year. The scope, therefore, for an independent energy policy is bound to remain limited.

## HUNGARY'S ENERGY RESOURCES

(% of Domestic Energy Production)	1970	1980	1985
Coal	52.3	27.6	24.7
Hydrocarbons oil	28.3	43.0	63.4
Nuclear energy	—	—	6.5

ated 63.4 per cent this year. The decline about half during the same period the share of natural gas jumped from 6.3 per cent in 1965 to 25.3 per cent this year. Between 1960-1980 the share of crude oil almost doubled to 35.1 per cent of a much larger total. Hungary's oil imports from Russia rose from 3.9m tons in 1970 to 8.5m tons this year. The Soviet Union will also supply 2m tons of petrol and gas oil this year, 300,000 tons up on the 1979 levels.

However, the moment of truth came in early 1973 when the Soviet leadership told a Hungarian delegation headed by the then Premier János Kádár that they could give no long-term oil delivery commitments. This marked the beginning of an agonising reappraisal of Hungary's energy position. The oil price explosion in the wake of the 1973 Middle East war only gave a further powerful impetus.

This is the background to the re-emergence of the Paks nuclear project 1972 and the resumption of construction in 1974. Like other poor in resources, Hungary has been doubly hit by the world energy crisis: on the one hand it has to pay more and more for Soviet oil and on the other the Soviets huntily told the Hungarians (as the rest of the bloc) that they can only fractionally increase their shipments of crude oil and gas.

## Dollar steady

THE DOLLAR and sterling showed little change in quiet foreign exchange trading. The pound opened at \$2.2780-2.2785 and eased to \$2.2750-2.2760, but was steady around \$2.28 for most of the day. In this trading sterling rose to \$2.2825-2.2835, and showed little sign of weakness until very near the London close, when selling from New York pushed it down to finish at \$2.2780-2.2790, a fall of 0.0005 points on the day. The pound-weighted index, as calculated by the Bank of England rose to 72.1 from 71.8, although this did not reflect sterling's late decline. The index closed at 72.0 at noon and in the morning.

The dollar's index, on Bank of England figures, rose to 84.7 from 84.6. The U.S. currency traded within a narrow range against other major currencies, rising to DM 1.7815 from DM 1.7785 against the D-Mark, and to SwFr 1.6070 from SwFr 1.6060 in terms of the Swiss franc.

In Ankara it was announced that the Turkish lira has been devalued to TL 70 to the dollar from TL 47.10. D-MARK Very strong, but showing a steeper tendency within the European Monetary System recently. The D-mark improved against other members of the EMS, with the exception of the French franc which rose to DM 42.705 per 100 francs from DM 42.68, and the Italian lira which was unchanged at the Frankfurt fixing. There was no sign of support for the dollar in the open market by the Bundesbank and the German authorities did not interfere with the fixing when the dollar fell to DM 1.7293 from DM 1.7303. Sterling rose to DM 3.9440 from DM 3.9360, while the Swiss franc eased to DM 1.0781 from DM 1.0793.

FRENCH FRANC — Strongest member of the EMS since late December — The franc improved

against most of its EMS partners at the Paris fixing, although the Italian lira rose slightly. Outside the EMS, the dollar fell to FF 4.0510 from FF 4.0530 and the Swiss franc to FF 2.5235 from FF 2.5255, but the pound rose to FF 2.2350 from FF 2.2320.

ITALIAN LIRA — Formerly recently after falling from the top of the EMS last November, the lira improved against most EMS currencies, at the Milan fixing, but the French franc rose slightly to Lit 168.00 from Lit 167.00. Among non-EMS currencies the dollar eased to Lit 2,806.20 from Lit 2,808.00, but sterling rose to Lit 2,837.50 from Lit 2,834.50.

BELGIAN FRANC — Generally weakest member of EMS, but showing a steeper tendency towards mixed changes against its EMS partners, improving against the Irish punt, Dutch guilder, and Danish krone at the Brussels fixing, but declining in terms of the D-Mark, French franc and Italian lira. Outside the EMS the Swiss franc eased to BF 17.508 from BF 17.692, and the dollar to BF 28.105 from BF 28.115.

FLORIN GUILDER — Flimsier in recent weeks, near top of EMS — The guilder lost ground against most EMS currencies, but improved slightly against the lira at the Amsterdam fixing. Among other currencies the dollar fell to Fl 1.9105 from Fl 1.9115, but sterling improved to Fl 4.3570 from Fl 4.3450.

DANISH KRONE — Basically weak, suffering two devaluations since EMS began last March. The krone remained depressed within the EMS, despite a slight improvement at the Copenhagen fixing. It improved against the Italian lira but lost ground to the French franc, while showing no change against the Irish punt and Belgian franc. The Swedish krona was also unchanged, but the dollar fell to Kr 4.5080 from Kr 4.5115, and sterling rose to Kr 1,231.60 from Kr 1,229.60.

## EMS EUROPEAN CURRENCY UNIT RATES

	ECU rate	Change	% change	Divergence
Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24
Bulgarian Franc	35.787	-0.001	-0.003	-0.003
Irish Punt	115.779	0.001	0.001	0.001
Portuguese Escudo	200.482	0.001	0.001	0.001
Spanish Peseta	166.639	0.001	0.001	0.001
Swedish Krona	4.633	0.001	0.001	0.001
Swiss Franc	2.0	0.001	0.001	0.001
Yugoslav Dinar	20.6	0.001	0.001	0.001

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## EXCHANGE CROSS RATES

	Jan. 24	Point/Starling	U.S. Dollar	Deutschmark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Danish Krone	Belgian Franc
Pound Sterling	1	1	2.272	0.900	540.0	0.250	5.668	4.660	168.0	338	64.16
U.S. Dollar	0.439	1	1	1.754	259.4	0.069	1.610	1.914	366.5	7.26	39.10
Deutschmark	0.958	0.077	1	1	136.1	0.242	0.928	1.104	485.2	0.58	16.24
Japanese Yen	1.835	0.177	7.841	100.0	1	16.28	5.743	7.959	336.2	1.173	17.8
French Franc	1.081	0.248	4.270	0.897	10	1	3.969	4.714	199.6	0.26	66.88
Swiss Franc	0.275	0.021	1.077	148.7	1	2.532	1	1.189	201.8	0.73	10.0
Dutch Guilder	0.228	0.028	0.906	128.1	2.128	0.841	1	1	114.4	0.62	14.71
Italian Lira	0.544	0.140	2.190	256.9	5.036	1.59	1.773	1	100.0	1.45	26.91
Canadian Dollar	0.719	0.054	0.187	80.8	3.806	1.390	1.658	696.0	1	1	10.82
Belgian Franc	1.059	0.268	1.017	85.0	14.42	0.717	1.757	89.4	4.112	1	36.2

## EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 13.30-14.00 per cent, three months 14.05-14.65 per cent, six months 14.65-15.15 per cent, one year 15.30-15.40 per cent.

	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24
10% term	13.30	13.30	13.30	13.30	13.30	13.30	13.30	13.30	13.30	13.30	13.30
3 months	14.05	14.05	14.05	14.05	14.05	14.05	14.05	14.05	14.05	14.05	14.05
6 months	14.65	14.65	14.65	14.65	14.65	14.65	14.65	14.65	14.65	14.65	14.65
1 year	15.30	15.30	15.30	15.30	15.30	15.30	15.30	15.30	15.30	15.30	15.30

Long-term Eurodollar two years 12.12-12.25 per cent; three years 12.12-12.25 per cent; four years 11.12-11.25 per cent; five years 11.12-11.25 per cent; six years 11.12-11.25 per cent; seven years 11.12-11.25 per cent; eight years 11.12-11.25 per cent; nine years 11.12-11.25 per cent; ten years 11.12-11.25 per cent.

## INTERNATIONAL MONEY MARKET

## U.S. rates nervous

U.S. Treasury bills traded erratically in early trading yesterday, as growing fears of a military involvement in the Middle East cast uncertainty on the size of the U.S. Federal budget and inflation rates. 13-week bills were quoted at 12.08 per cent compared with 11.99 per cent on Wednesday, and 26-week bills stood at 11.76 per cent against 11.69 per cent, but rates showed an easier tendency later in the day. Federal funds were trading at 13.14 per cent but eased back to around 13 per cent.

In Frankfurt interbank money rates were slightly easier yesterday, the German mark was quoted at \$204.40 per cent against \$15.85 per cent on Wednesday. In Amsterdam interbank money rates were largely unchanged from Wednesday, with the guilder at 10.14 per cent and one-month money at 11.11 per cent. In Zurich rates on medium-term notes were increased in 4 per cent for three to four-year maturities and 1 per cent for five to eight years.

## UK MONEY MARKET

## Further shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979) 18 per cent. Day to day credit remained in short supply in the London money market yesterday, and the authorities gave assistance on a very large scale. This comprised the sale of Treasury bills and the purchase of Treasury bills and corporate bonds at a discount, some of each package being for resale at a future date. They also bought a small number of eligible bank bills, all of which are for resale. In addition the authorities lent a large amount to eight or nine hours at NLR for repayment today.

## LONDON MONEY RATES

	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24	Jan. 24
Overnight	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15
3 months	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15
6 months	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15
1 year	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15	15.15

## FRANCE

Overnight Rate 11.75 per cent. One month 12.00 per cent. Three months 12.00 per cent. Six months 12.00 per cent. One year 12.00 per cent. Two years 12.00 per cent. Three years 12.00 per cent. Four years 12.00 per cent. Five years 12.00 per cent. Six years 12.00 per cent. Seven years 12.00 per cent. Eight years 12.00 per cent. Nine years 12.00 per cent. Ten years 12.00 per cent.

## JAPAN

Overnight Rate 8.25 per cent. One month 8.25 per cent. Three months 8.25 per cent. Six months 8.25 per cent. One year 8.25 per cent. Two years 8.25 per cent. Three years 8.25 per cent. Four years 8.25 per cent. Five years 8.25 per cent. Six years 8.25 per cent. Seven years 8.25 per cent. Eight years 8.25 per cent. Nine years 8.25 per cent. Ten years 8.25 per cent.

## THE POUND SPOT AND FORWARD

	Jan. 24	Day's Spread	Close	One month	% Three months	% Six months	% One year
U.S.	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Canada	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Netherlands	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Belgium	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Denmark	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Ireland	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
West Germany	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Portugal	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Spain	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Sweden	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Norway	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
France	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Switzerland	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Japan	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Austria	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Belgium	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02
Switzerland	2.2780-2.2785	2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02	0.02	0.02

## THE DOLLAR SPOT AND FORWARD

Day's spread	Close	One month	% Three months
2.2780-2.2785	2.2780-2.2785	0.02-0.02	0.02
2.2785-2.2790	2.2790-2.2795	0.05-0.05	0.05
1.1973-1.1995	1.1985-1.1995	0.01-0.01	0.01
1.3950-1.4010	1.3950-1.4010	0.01-0.01	0.01
1.00-1.00	22.11-22.11	1/4-1/4	0.52
6.4010-6.4040	6.4025-6.4040	0.01-0.01	0.01
1.7280-1.7330	1.7310-1.7320	0.00-0.00	0.00
1.00-1.00	1.00-1.00	1.00-1.00	1.00
0.00-0.01	0.00-0.01	1.00-1.00	1.00
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## FINANCIAL TIMES SURVEY

Friday January 25 1980

## AUSTRIA

The showcase of the politics of consensus turned in a spectacular, strong growth, low inflation performance in 1979, but the rising price of energy and a loss of external reserves are setting Austria problems for the 1980s. The prevailing view in Vienna is that these challenges will produce not confrontation, but a closing of ranks.

## BASIC STATISTICS

Area	32,374 sq. miles
Population	7.51m
GNP	Sch 635bn (£30bn)
Per caput Sch	111,185 (£4,000)
Trade (1978):	
Imports Sch	223.1bn (£8bn)
Exports Sch	176.1bn (£6.3bn)
Imports from UK	£240.1m
Exports to UK	£324.1m
Currency: Schillings: £1 =	Sch 27.875

the German Christian Democrats who moved to right of centre when they chose Herr Franz-Josef Strauss to lead them in this year's election. But Herr Mock himself is, if anything, to the left of the centre.

The other opposition party, the Freedom Party, took an even worse beating in the elections of 1979 and is in the throes of choosing a new leadership.

Interestingly enough, all the parties are discussing the possibility of constitutional changes designed to involve the electorate more closely in politics—in other words to close the gap between those who arrange the consensus and those who merely agree to it. The point of attack is the electoral system. It is one of unadorned proportional representation in which regional party organisations draw up the list of candidates.

One may doubt whether this debate reflects more than a certain anxiety that times are going to become harder: the chances of an early reform being accepted must be accounted small. That need be no disaster. The national attachment to the idea of security has been repeatedly stressed in this article. It is reflected in an elaborate system of pensions and welfare arrangements; paradoxically it found its expression in the return of a Socialist Government, maybe because the devil one knows is better than the devil one doesn't. People of that sort are more likely to draw closer together in a crisis than to lose their tempers with each other.

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Dr. Bruno Kreisky, the Austrian Chancellor. Last May the electorate re-elected him in office till 1983.

## A strong emphasis on security

By W. L. Luetkens

WHAT CAN you expect from a country with at least 30 different ways of serving coffee, and two major political parties which may pass four out of five laws in harmony?

The country (need not say so?) is Austria, and the answer is a love of living well and in security, with a penchant for social consensus. It goes back to the immediate post-war period, when Socialists and the People's Party governed in coalition. But it has signally survived almost 15 years of one-party government.

In the late 1960s it was the turn of the People's Party, an amalgam of representatives of the peasantry and of business large and small. During the 1970s it was the turn of the Socialists, largely because their leader, Dr. Bruno Kreisky, the Chancellor, has managed to capture the centre and appeal to the deep-seated hankering after security.

Last May the electorate re-elected him in office until 1983 with an absolute majority in Parliament for the Socialist

Party. It is an intriguing question precisely how red these so-called "reds" of Austrian politics are.

For two generations Austrian law has been hard indeed on owners of housing to let. The Socialists actually have a Bill in preparation which would in practice tend to devote all the profit from older buildings to their maintenance, but nobody expects that Bill to go through as conceived. That is not to say that the Socialists are devotees of unbridled market economics. They have acquired a fair feeling for what is and what is not possible—and the people are adept at getting around the rules if they become too irksome.

Take Herr Anton Benya, head of the trade union organisation, and sometimes described as the most powerful man in the country. He has a saying, attributed to Lenin, that he who sups with the capitalist needs a big spoon. No, says Herr Benya, what you need above all is soup in the tureen.

In keeping with the national addiction to security, Herr Benya gives the highest priority to full employment—and with a rate of 2.1 per cent last year he has had his wish. But in keeping with his saying about the bowl of soup, the trade unions have not clung to the preservation of jobs in declining industries whatever the price.

Though the effects have been cushioned, and change at times painfully slow, coal mining, for instance, has been abandoned altogether. The steel industry is being restructured, and fundamental adjustments have been made elsewhere. Yet industry

would argue that the changes have not yet gone far enough and that Austria is beginning to labour under having become a high-cost country.

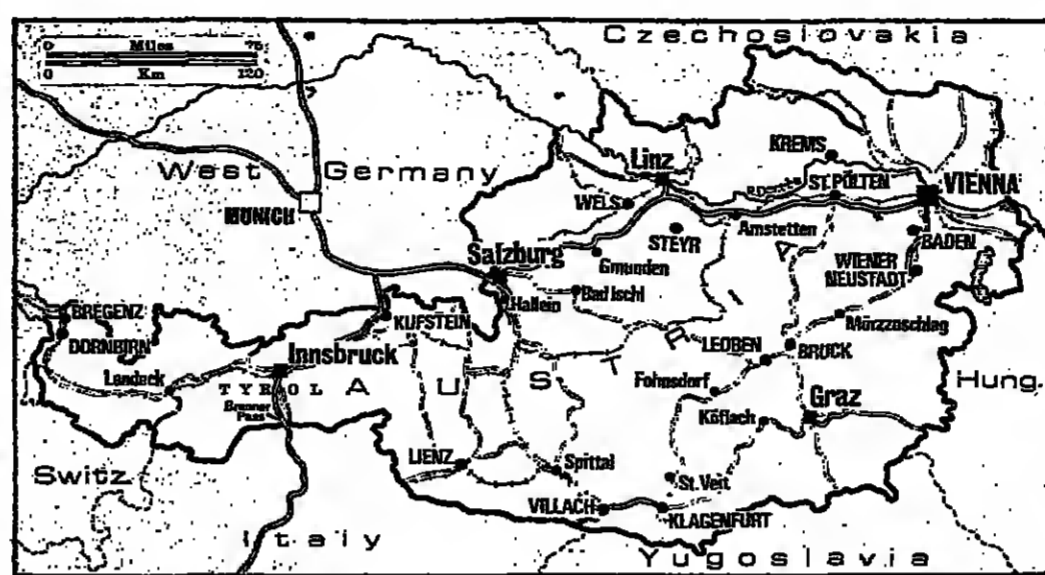
The most obvious cause is the policy pursued for long of making the Austrian Schilling as hard as the Deutsche Mark. It has helped to keep down the cost of living; last year's inflation rate, was the lowest in the industrialised world. But it has also made life difficult for exporters in a country where in 1978 exports (including services such as those of the tourist industry) accounted for AS298bn (about £10.9bn at the present exchange rate) of a Gross National Product (GNP) (at market prices) of AS835bn.

As explained elsewhere in this survey, Vienna is likely to stick to the hard currency policy, though the rate will have to be defended by higher interest rates which in turn add to the costs of industry. They are further inflated by one of the most elaborate systems of fringe benefits known to Western man. Herr Robert Graf, economic spokesman of the opposition, reckons that by next year fringe benefits will add 91 per cent to the wage bills of employers.

## Investment plans

Here lie the reasons why despite improved profitability last year, resulting largely from the demand effects of the West German boom, the investment intentions of industry are not especially high. Though interest rates throughout most of 1979 were on the low side, industry did not take up bank credit to the limits laid down by the central bank.

The chief priority appears to



have been to reduce debt ratios and to improve balance sheets. The general air of prosperity, especially in western Austria, is undeniable. But if you ask Dr. Hans Igler, head of the industrialists' association, to reconcile that evidence with his complaint that business has been unable to generate sufficient internal capital he will answer pithily: "The 1970s reaped what the 1960s sowed."

There is of course another reason why business views the future with reservations, and that is the general uncertainty in the world. Given the country's involvement with the outside world, and mainly with Germany, Austria cannot really do much to determine its economic climate. A German recession would hit Austrian hard; domestic demand could hardly provide enough compen-

sation. The chief uncertainty is energy. The appreciation of the Schilling in terms of the U.S. dollar has masked—but only masked, and only partly so—recent increases of the price of oil. Imports of energy in 1979 cost Sch. 7bn more in 1979 than in 1978, nullifying a fifth of the growth of Austrian exports in that year.

The Government is still groping its way towards a conservation policy, but one strategy that has already become apparent is to look towards eastern Europe. Long term contracts have been concluded for the supply of Soviet natural gas and, provided arrangements can be made to transport it through Czechoslovakia, 1.2m to 1.5m tons of Polish coal are to be imported

for power stations—beginning in 1984.

Inevitably there has been criticism that Austria is making itself dependent on the good will of Moscow. The official view about that is that it is still better than dependence upon a volatile Middle East—not least because the Russians, unlike some of the Arab States—badly need hard currency or Western goods.

In the background there remains the question of what to do about Zwentendorf, the nuclear power station built at great expense but over commissioned because a referendum in 1978 went narrowly against its construction. The constitutional machinery exists for repeating that referendum, but clearly very deft political timing will be required if the manoeuvre is to succeed.

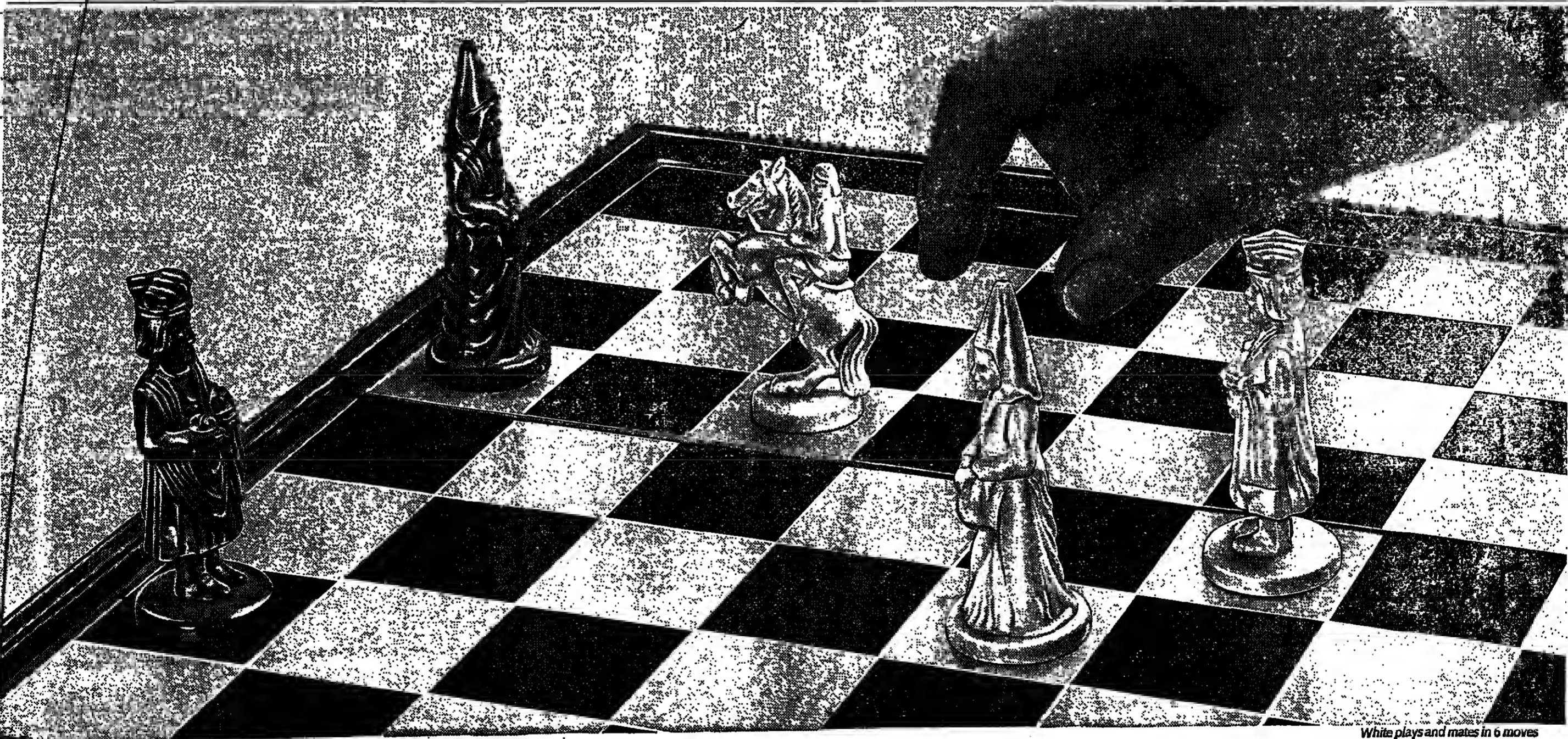
It is an open secret that the trade unions and industry are agreed that one day that route should be taken. Equally clearly, no political party is prepared to raise the matter by itself; pressure for a new referendum will have to come from below which in practice means one or more of the pressure groups involved.

## An open secret

The whole matter is illustrative of a fundamental Austrian reality—that the consensus is something that is reached at the top. The general public concurs while reserving the right to grumble. The most typically Austrian institution is the so-called party commission in which representatives of business, the unions and of Government meet to agree not on mandatory targets but on economic guidelines that are adhered to even though they are not fixed by even a scrap of legislation.

The question is of course whether the whole system can stand up under pressure if the world economic outlook, and above all energy markets, should get out of hand. There is nothing in Austrian history to make one believe that conflicts can never occur.

For the moment, however, they are most unlikely. The opposition, after three successive elections resulting in absolute majorities for the Socialists, is busy with its own problems. The People's Party has a new leader in the person of Herr Alois Mock. But its precise position in the political spectrum remains unclear. There are those who want it to overcome what looks like a crisis of identity by emulating



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## AUSTRIA II

# Economic forecasts are encouraging

AUSTRIA HAS entered 1980 with a set of comfortably encouraging economic forecasts after what has generally been described as a year of near miraculous successes in 1979.

Gross National Product (GNP) rose by 5 per cent last year, and though the forecasters expect that rate to be roughly halved this year, the remaining 2.2-2.5 per cent still looks respectable. Last year's inflation rate was 3.6 per cent, lower than in any comparable country. For this year the forecast is 4.3 per cent. By Austrian standards that is not good—but still a good deal better than rises in the consumer price index of between 8.4 per cent and 5.5 per cent recorded in 1975-78.

The fly in the ointment is that certain basic assumptions made when the forecasts were prepared may prove unjustified. First, the oil price may already have risen more steeply than was assumed. The forecasters had in mind \$27 a barrel (less a margin resulting from a depreciation of the U.S. dollar in terms of Austrian schillings). That figure looks distinctly out of date now.

### Considerations

But before jumping to conclusions it is necessary to take into account that Austria, like most other consumers, built up stocks in 1979, so that the spot price of oil may come under a certain amount of pressure. Beyond that, Austria still produces from its own fields something like a sixth of its crude oil needs. That again can prove of help.

Another assumption behind the forecasts which may prove to have been over-optimistic concerns interest rates. The expectation that the world-wide trend towards higher interest rates would prove only temporary is beginning to look distinctly dubious. Given their close economic ties with neighbouring West Germany, the Austrians cannot ignore what is going on in Frankfurt, where the Bundesbank has shifted to a restrictive course in the interests of internal monetary stability.

### MAIN ECONOMIC INDICATORS

	1975	1976	1977	1978	*1979	†1980
GNP (%)	-1.5	+6.2	+2.7	+1.5	+5.0	5
Consumer prices (%)	+3.4	+7.3	+5.5	+2.6	+3.6	+4.8
External payments:						
Current account in Sch.bil.	-0.4	-16.3	-25.9	-6.0	-11.5	-18.6
Unemployment ratio	2.0	2.0	1.8	2.1	2.1	2.3

\* Estimate. † Forecast of main economic research institutes. ‡ Includes net errors and omissions. † 2.2-2.5%.

That poses a dilemma for Austria's policy makers. Reduced in simplest terms they have a choice between abandoning the informal but none the less effective link between their exchange rate and that of the Deutsche Mark, or of allowing their interest rates to rise with—and indeed move slightly above—those obtaining in Frankfurt.

Unless something extraordinary happens, the Austrian authorities are unlikely to abandon the policy that they have pursued throughout the 1970s of managing their exchange rate so that it keeps very close to the Deutsche Mark.

Economic miracles have their price, however. The relative rapidity with which Austria overcame the mid-1970s recession by a policy of deficit spending pushed both the budget and the country's external payments into deficit. A good deal was done to correct that, though a good deal remains to be done, especially on the budgetary side. Interest arbitrage and longer term capital exports, added to a current account deficit, cost the central bank a large portion of its foreign exchange reserves (exclusive of gold) during 1979.

During the first 10 months of 1979 they fell from Sch 61bn (not counting the International Monetary Fund position) to Sch 39bn (about £1.4bn) at the present exchange rate). Gold remained unchanged at Sch 29bn, but has since been revalued to Sch 39bn, mainly to make good that part of the decline of total reserves accounted for by exchange rate movements, more specifically the decline of the U.S. dollar. Seeing the danger signals, the central bank began to tighten

up in September when it made a cautious upward adjustment to the discount rate.

The visible account has been in deficit by tradition, but only since the mid-1970s has net income from tourists fallen seriously behind the visible deficit. The main reasons have been the rising price of energy imports and the growing appetite of Austrians for foreign travel.

### Improvements

For last year the trade deficit was about Sch 58bn, as against a surplus on services (largely tourism) of Sch 34bn, leaving a current account deficit of Sch 24bn. Comparison with 1978 is not very enlightening, because added value tax changes at the end of 1977 caused a great bunching of imports. Taking 1977 and 1978 together one is left with an average annual trade deficit of Sch 27bn and a current account deficit of Sch 34bn. In other words both visible and invisible performed a good deal better in 1979 than in 1977-78.

For certain reasons the Austrian balance of payments generally shows a large positive amount under the heading of "net errors and omissions" which are usually considered to be trade-related rather than of a capital nature. If the current account is adjusted for this curiosity, one is left with an estimated deficit last year of Sch 11.9bn, which is expected to expand to Sch 18.6bn in 1980, largely because of the rising price of imported energy.

The budget deficit, which was greatly inflated to combat the mid-1970s recession, has been reduced in relation to GNP. But

the fact remains that the country is entering a period of uncertain economic prospects in the world at large with a current external deficit which is once again growing, and a budget which leaves limited scope for a renewed bout of deficit spending.

On top of that, the inflation rate, which is greatly influenced by energy and other factors well beyond Austrian control, will in the long run put to the test the willingness of Austrian labour to moderate its demands; that moderation was an essential element in the reduction of unit labour costs which enabled Austria to raise its visible exports last year by about 15 per cent.

But what if the inflation rate goes sharply above the forecast 4.3 per cent? What if real wages cease to rise or maybe even fall, if not this year, then in 1981? A sharper wind is then sure to blow through the Austrian idyll of consensus politics and consensus between labour and management. But it would be foolish to assume that that wind will blow the house down. All the indications are that security remains the highest priority for most Austrians; there is nothing they fear so much as rocking the boat.

No doubt it would have been better for Austria if there had been more time between the mid-1970s phase of spending their way out of trouble and the challenges that appear to lie ahead. But what happens, a visitor from abroad is that there is nothing to be felt in Austria of the apocalyptic mood prevalent in some other countries. "Everybody is talking of a recession in 1980," one of the highest policy makers in Vienna said "but I have not yet caught sight of it."

Even so, however, will make no guesses beyond the middle of this year. The fact of the matter is that Austria is too small to be in complete command of its fate. If the Germans go into recession (not to mention even more serious possibilities) Vienna can hope to steer clear of trouble for a limited time only. But the odds would still exist for mitigating the effects.

W. L. Luetkens

# Big jump in bond issues

THE NEW banking law, the gradual dismantling of State subsidies for contractual savings and the clash of regional and sectoral interests have not only posed new challenges to the Austrian credit institutions; they have also produced a major shift in the small investor's priorities.

According to provisional figures, non-institutional investors last year doubled their purchases of fixed-interest securities to Sch 40bn. It is estimated that about Sch 15bn of the Sch 20bn increase was due to shifts from ordinary savings accounts to bonds. Conversely, the savings banks reported a growth of only 5.4 per cent in savings deposits to a grand total of Sch 158bn, a rate of increase which the Federation of Savings Banks called "far below expectations."

The changes were partly the direct result of the third reduction in subsidised contractual savings schemes within three years by the Ministry of Finance—all made to save money—and partly to the manifold consequences of the inter-bank agreements about interest rates on bank deposits that had put an end to the so-called "grey interest" rates which at one point were almost double the official 4 per cent interest rate on normal savings accounts (with no statutory withdrawal clause). This is the background to such seemingly paradoxical trends as, for example, the elimination of subsidised State bonds coinciding with an unprecedented jump in new bond issues.

The most important new regulation involved, as of September last, the complete elimination of Federal tax rebates for buyers of State and public bonds. The 15 per cent premium once granted has been cut to nil since 1977 in three stages. The only remaining concession is that interest on bonds worth up to Sch 100,000 per annum and per person is as before, tax-free.

The main point, however, is that anonymous accounts are legal, with the latest Banking Law even strengthening bank secrecy. This means that savings books, bonds of all kinds and investment units may be bought anonymously. But savings schemes involving tax concessions or rebates in any way must be reported to the Revenue authorities. Building society deposits are now subsidised only up to 10 per cent by the State, against 25 per cent until 1977, and 17 per cent until the end of 1979. As a result, the net yield has been reduced from 10 or 11 per cent previously to 8.5 per cent per annum.

The savings deposits subject to notices of one to three years currently offer interest ranging from 5 to 6.5 per cent. The so-called premium contractual savings deposits (with obligatory quarterly deposits of at

least Sch 150 but not more than Sch 5,000 per person) offer 7 per cent provided there has been no withdrawal from the account during a four-year period.

Under the inter-bank agreement the highest rate on so-called money market certificates involving large non-anonymous deposits of over Sch 3m subject to between 3 days' and 12 months' notice must remain half a percentage point below the average bond rate. This means a current rate of 7.5 per cent on such deposits. Both these certificates and the cash bonds currently divided into Sch 10,000 bonds are now at the centre of debate.

As the inter-bank agreements are concluded for half-yearly periods, the entire package deal has to be renewed as of March 1 next. The credit institutions have disparate and conflicting interests, with the fronts cutting through the political groups and interest lobbies.

The question of liberalisation of interest rates and the sharp conflicts between the various banking sectors and even within the groups must be seen against the background of the trend towards universal banking.

### New trend

The single most important consequence of the new Banking Law is the acceleration of the trend towards universal banks. The savings banks, which have a 27 per cent share of the outstanding extended credits and 32 per cent of deposits reported by the entire banking sector may now directly tap the capital market through bond issues, engage more freely in business abroad, set up branches anywhere in the country, and acquire industrial holdings. The driving forces behind these changes have been the two large Vienna-based savings banks, Zentralsparkasse und Kommerzbank, and the Erste Oesterreichische Sparkasse.

The shifts also affect the relationship between Girozentrale, the second largest Austrian bank and central institute of the savings banks, sector on the one hand, and the two Vienna savings banks on the other.

A realignment within the building society sector is also taking place, with all banks keenly interested in getting a larger share of and a direct access to this profitable business.

The banking sector is as before composed of different sectors but the real differences between the individual "giants" are becoming practically nil. The commercial banks (35 institutes with 538 branches) are controlled ultimately by the Federal State, which has a majority holding in both Creditanstalt and the Laenderbank. Both banks have had

some problems with their large industrial holdings and widespread interests but report a highly successful year.

The savings banks sector consists of 164 independent operators with over 1,000 branches. An accelerated process of concentration is taking place, although the plans to found a so-called Westbank in Vienna by four large provincial savings banks have been shelved. The farmers' credit co-operatives and their umbrella institute, Genossenschaftliche Zentralbank, comprise half of all bank branches and have an unrivalled access to primary deposits. The Post Office Savings Bank has also emerged as a formidable competitor. Bawag, relying on the vast funds of its owner, the trade union federation, has also played an extremely active role

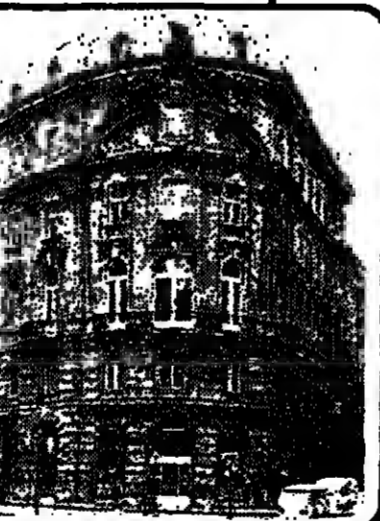
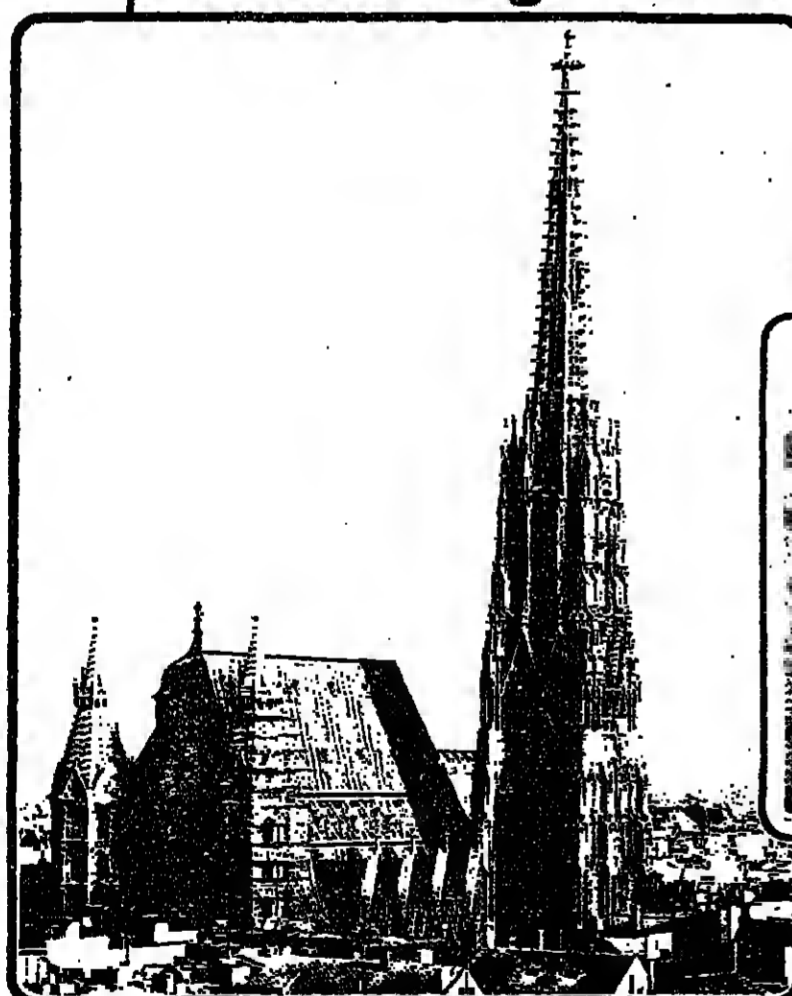
Paul Lendvai

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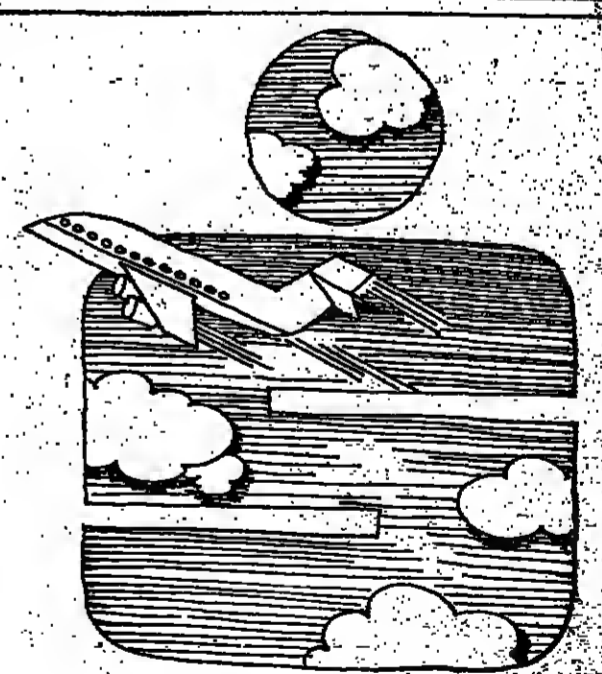


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## AUSTRIA III

## Industry is centred on the small man

THE BIG STORY in Austrian industry these days is the arrival of a motor industry, or rather bits and pieces of a motor industry.

But before getting on to that, as well as to remind oneself that the real story may be a little one — the story of a handful of small industrial enterprises which have shown a remarkable ability to adapt to a changing world. Travel down the main railway line from Vienna to Salzburg, for instance, and you will see new plant that has sprung up everywhere in the last 20 years, ranging from the local butcher, baker and candlestick maker type of thing to enterprises that may not be large by international standards but do command worldwide importance.

Two instances occur, but there must be others: GFM, at Steyr, which has a leading position in the non-Communist world in the manufacture of machines to produce the blanks from which the fan blades of jet engines are fashioned; and Plasser and Theurer, makers of equipment to build and maintain the railways' permanent way.

## World markets

An export share of more than 90 per cent in the company's turnover of about Sch 2bn (about £74m) a year, and manufacturing subsidiaries in countries as far afield as Britain, Canada, and India really tell the story. P and T may be an exceptional case, but it is an exception that proves a rule; small businesses can do well in world markets.

But to return to the motor industry. Austria always has had some connection with it; the building of lorries and buses has never ceased. But in the all-important passenger car sector there has been little since the war other than a licence agreement between Fiat and Steyr (part of the Creditanstalt Group), the largest Austrian bank, and one that is in State ownership.

As a result, imports of cars contributed enormously to the Austrian trade deficit—in 1976-1978 Sch 43bn (about £1.6bn at the present exchange rate) of an aggregate trade deficit for the three years of Sch 183bn. The idea of putting a stop to this by building up some sort of domestic motor industry became associated with no less a person than the Chancellor himself, Dr. Bruno Kreisky. The original proposals, proved im-

practicable, but a pattern has now emerged promising a measure of success, though at a price.

The largest venture involves General Motors, which intends to produce engines in a plant near Vienna. As has become the fashion in the motor industry, the company has been offered great inducements to come. The plant, where 1,500 will find employment, is said to have been supported by the Austrian authorities with grants and preferential finance adding up to Sch 1.4bn.

BMW, the German motor company, got only a fraction of that for a joint venture with Steyr-Daimler-Puch to produce a diesel engine developed at an Austrian university and said to be especially efficient. Steyr has also co-operated with Daimler-Benz in the production of a cross-country car, drawing on the Austrians' experience with designing cross-country vehicles for hill farmers and for the army.

Finally, negotiations have taken place for a cross-country vehicle to be produced jointly by Volkswagen and State-owned Austrian industry in the OelAG group. (The outcome was not known at the time of writing.)

The GM venture is evidently first and foremost designed to provide employment and to reduce the Austrian deficit on trade in motor vehicles. The others do in fact make use of Austrian technology and research. But over and above that, all these ventures and proposals have one thing in common: they will provide openings for Austrian suppliers of components. Small industrialists will reap some of the benefits.

Nevertheless, the political opposition, and in particular its economic spokesman Mr. Robert Graf, argue that the Sch 1.4bn used to catch GM might have been better employed to help existing industries. Herr Graf complains, as does Dr. Hans Igler, head of the Austrian industrialists' association, that the 1970s (a decade of world-wide economic difficulties, but also of one-party Socialist government in Austria) have been a period during which Austrian entrepreneurs have had great difficulties in generating internal capital. Even the improved profitability of 1979 has not fundamentally altered that situation.

Dr. Igler argues that the cash flow of industry in relation to aggregate added value has shrunk from 30 per cent in 1970

to 20 per cent in 1979. At the same time he notes a shift from private to public investment. Investment of a productive (rather than infrastructural) nature, including the State-owned industries, has fallen to about 12 per cent of aggregate investment as against about a fifth in 1970.

What this really means is that private industry wants tax cuts, and more particularly complains that for fiscal reasons tax concessions from which it used to profit in the past have been savagely narrowed down. There is little prospect of early relief.

The size of the state-owned sector (not counting concerns owned by the state-owned banks)

can be gauged from the fact that nearly a quarter of Austrian exports originate in the factories of the OelAG group. It would be wrong, however, to conclude that the group enjoys rude health. Its biggest single member, VOEST, the steel and engineering group, has not paid dividends for several years, though as a result of rationalisation and partial closure, a period of short-time working has been ended. OelAG's involvement in the native oil industry and in refining has to an extent made up for weaknesses elsewhere, especially in special steel.

In private industry there is a tendency to argue (much as

in the case of GM) that the State has tended to favour large, i.e. publicly owned, industry at the expense of the little men. It is of note, however, that not even the trade unions have taken the line that jobs must be preserved at all costs.

## Labour force

Dr. Oskar Gruenwald, executive chairman of OelAG, takes the view that his concern must find a middle way between the philosophy of private industry, meaning the pursuit of profit, and a sense of responsibility towards both the labour force and the public interests.

In practice that has meant a running down or transfer of labour forces in the weak sectors, with the stricken special steel sector next on the list.

It has also meant branching out into new areas — for instance the proposed joint venture with Volkswagen, but also an agreement with Siemens for the joint development of integrated circuits and micro-electronics.

That venture is a step on the route that Austrian industry will have to continue pursuing if it is to prosper. What has been achieved already can be deduced from structural shifts

in the composition of Austrian exports. In 1960 raw materials and food accounted for 25 per cent of the total; in 1978 their share was down to 11 per cent. Machinery and transport equipment (in the main finished products) had risen from 16 per cent to 29 per cent.

What all of this means is that Austria has gone some way down the Swiss route—a route combining a hard currency in the interests of low inflation rates with a highly developed network of small industry, and with the intention to specialise increasingly in high value products.

The path is not straight; the social cost of closing down weak

or mature industries would be unacceptable to all concerned. Only the future can show whether the time for building up a motor industry was well chosen.

It will also be a stony path, because after two world wars Austria lacks the accumulated financial resources of the Swiss and their highly developed multinational companies, for instance in the chemical industries. It also has a far higher tax quota. But like Switzerland, Austria has a tradition of industrial peace which has proved an invaluable asset over the post-war years.

W.L.L.

## Reliance on Comecon for energy supplies

AUSTRIA'S FIRST nuclear power plant at Zwentendorf, completed but not commissioned, continues to haunt the energy scene. Ever since the Austrian electorate on November 3, 1978, decided in a referendum to postpone the commissioning of the plant—located one hour's drive from Vienna—advocates of nuclear energy have been preparing an initiative to reopen the debate.

Gathering 200,000 signatures would enable them to launch a new referendum which could turn the "No" of the past into a "Yes" to nuclear power.

The immediate future of the plant, which has so far cost in construction and interest charges some Sch 9bn (about £320m), will be decided by the operating company only at the end of February. The options are: to turn it into a conventional coal-fired plant which would cost an estimated further Sch 4bn; 2, to put it into cold storage; the owners (i.e. the Federal electricity concern and provincial utility companies) having to underwrite further financing; and 3, to pull it down.

The companies concerned have already had to announce increases ranging from 6 to 15 per cent in the rates charged for electricity in the various provinces. These, however, are only the immediate consequences of the "No" to nuclear power. There are other and weightier factors to be taken into consideration if one seeks

to assess the medium and long-term repercussions.

The most important is clearly the growing dependence on energy imports, which currently account for 63 to 65 per cent of aggregate energy consumption, compared to 58 per cent in 1970. Crude oil and natural gas make up some 80 per cent of these imports. The trend is bound to raise the share of imports by the end of the 1980s — perhaps even up to 80 per cent of the total demand for energy.

## Oil imports

The drain on the balance of payments has also become increasingly pronounced. Thus, the energy import bill has jumped from Sch 8bn in 1970 to Sch 31bn last year. Oil imports are responsible for the bulk of this figure. Austria in 1978 had to purchase foreign crude to a total of Sch 24bn. Unless consumption is reduced, the bill will be at least Sch 36bn this year. Crude oil imports in 1979 jumped by 1.1m tonnes to 8.2m and consumption was up by 3.6m to 11.6m tonnes.

Austria last year produced 1.8m tonnes of oil from its domestic wells, which has been a help, but the share of anarchy in total imports has been rising inexorably from 5.6 per cent in 1972 to about 8.5 per cent in 1979.

The Austrian State oil corporation OelAG last year imported 6.2m tonnes on its own account. The rest was provided by the international oil com-

panies, with OelAG's refinery at Schwechat processing most of their imported crude too. A detailed breakdown shows that OelAG bought 2m tonnes from Iraq, 1.5m from the Soviet Union, 550,000 from Libya and 550,000 from Algeria. Currently it is negotiating the import of 1m tonnes from Saudi Arabia, and it is hoped that a forthcoming visit there of the Chancellor, Dr. Bruno Kreisky, will achieve a breakthrough after years of unsuccessful efforts to buy Saudi oil. It is also rumoured that OelAG might be able to buy 500,000-1m tonnes of crude from Nigeria. For the time being, however, it is generally assumed that OelAG will have to cover about 20 per cent of its demand on the spot market.

Political observers are particularly concerned about the predominant role of the Soviet bloc in Austria's energy imports. The Soviet Union provides 2.4m cubic metres of natural gas per annum, some 60 per cent of consumption, the price just having been increased by 26 per cent. Polish coal and electric power, Hungarian lignite and the Comecon power grid have been mentioned by Dr. Kreisky and his Ministers as major co-operation projects, possibly bringing in Switzerland and Bavaria too.

Last November a large Austrian mission headed by Dr. Kreisky concluded long-term deals with the Polish government. The agreement involves

the annual delivery by Poland of 1.2m tonnes of hard coal from 1984 for a period of 20 years. The method of transport has to be decided by June this year.

The coal will most likely be transported by rail — via Montefiore in Italy or through a coal pipeline via Czechoslovakia. Another major project still under discussion concerns the erection of a large power plant with a capacity of 1,000 MW. Poland would provide power in exchange. For the time being Austria imports only 400m kWh annually, but as of 1983 this volume will be increased to 1.6bn kWh per annum. Questions related to the details of financing, particularly with regard to a \$300m credit for the Poles, have not yet been finally resolved.

Talks are going on with Hungary about the construction of a 600-MW power station in eastern Austria based on Hungarian lignite. From nearby deposits on the Hungarian side, this project would cost Sch 6.5bn, to be provided by Austria. The Hungarians claim that the deposits suffice to guarantee supplies for 40 years. Finally, Austria wants to increase its imports of natural gas and anarchy from the Soviet Union. The Austrian side would like to increase the gas imports from 2.4bn cubic metres per annum. The director general of the Verbundwerke der Staatselektrizitätsgesellschaft, has just begun informal talks in Moscow about it this would require a reduc-

link between the Austrian and Comecon power grids.

In purely economic and geographic terms all these projects make sense. However, several Austrian commentators point out the hidden dangers of excessive dependence on energy supplies from the Soviet bloc. In the severe winter of 1978-79 the collapse of some transformers in Czechoslovakia also interrupted the power deliveries from Poland to Austria. The failure had no political background.

## Reliable

Up to now the eastern European suppliers have proved to be more reliable than some of the OPEC countries. Furthermore, calls for a diversification are certainly justified — but not very easily translated into practice. For the time being the Government has chosen the easy solution of tapping Comecon bloc resources. But with the frustrier international political climate, the political dangers have also become more evident.

Meanwhile, Austria's power supply this winter is guaranteed, with hydro-electric plants operating at full capacity. Last year demand for power grew only at 4.5 per cent, slightly below the overall growth of 5 per cent in GNP. The Government wants to achieve a cut of 500,000 tonnes in imported crude this year from 11.5m tonnes to 11m. On the face of it this would require a reduc-

tion in domestic demand by 5 per cent—but there are stocks available to be drawn down. The forthcoming round of price increases for petrol, light heating oil and fuel oil, as well as the tax rebates offered to both individual and corporate taxpayers for energy-saving investments and other measures to be announced in the near future should help reduce domestic consumption.

Parliament in December last unanimously passed a legislative amendment — based on the November 1978 referendum — to ban the erection and construction of nuclear power plants, proclaiming that this decision could only be changed through a new referendum, which in turn can only be organised if a two-thirds majority in Parliament approves the referendum project. In these conditions the political parties would find it difficult to reopen the Zwentendorf issue in the near future.

Economic and political arguments, ranging from the drain on the payments balance to the excessive dependence on the Soviet bloc suppliers, will hardly produce a dramatic shift in public opinion. Only a collapse of power supplies for an extended period, directly hitting consumers, could do that. Until this happens Government and opposition are likely to rely on the time-honoured Austrian technique of muddling through.

Paul Lendvai

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remarked, that here was an instance of the inventiveness and skill of two traditional European car constructors ideally complementing one another.

## Austrians—Pioneers in Car Construction

Steyr-Daimler-Puch AG, the Austrian half of the partnership that has evolved and manufactures the "Puch G" model, has been in the car construction field for almost a hundred years. The concern is the outcome of a merger which took place in the Thirties between a number of companies in the Austrian car industry, some of them already producers at the turn of the century. A string of inventions, such as the centre tubular longitudinal member chassis, independent wheel suspension, the air-cooled Otto and Diesel motors, and the propeller shaft front-wheel drive, are from engineers employed by these firms. Numerous car builders, like Jenschke, Porsche, Ledwinka, and List, whose names have meanwhile become part of car manufacturing history, worked in Austria and in part still carry on there now. Alone, from the time of the merger until the end of World War Two, Steyr-Daimler-Puch AG produced 100,000 vehicles of all kinds.

## Reconstruction with Heavy Duty Vehicles

After 1945 Austria's automobile industry concentrated on heavy-duty vehicles to assist in the country's reconstruction, putting into temporary storage ideas about indigenous car manufacture. Instead trucks, tractors and agricultural tractors were produced for export and domestic use, with motor-cycles, scooters and mopeds coming on the market in the 'Sixties. Subsequently light and medium-weight cross-country vehicles from Steyr-Daimler-Puch met with growing success.

In this period too, the pioneering spirit displayed by Austria's technicians and engineers attained considerable triumphs. Steyr-Daimler-Puch developed and produced diesel motors built along the unit construction principle for a broad variety of purposes. Its truck, tractor, and marine engines as well as its stationary, and emergency generator sets became world-famous.

Orders for engine development arrive at the Graz "Anstalt für Verbrennungsmotoren List" (AVL=List Institute for Combustion Engines) from all over the globe. Recently AVL on its own initiative constructed "Tomorrow's Diesel", a softly running unit that combines all the advantages of an Otto motor with that of a diesel engine and does not pollute the atmosphere. Professor List's "whispering diesel" will go into production at Steyr in Upper Austria under the aegis of a co-operation agreement between BMW (Bayerische Motorenwerke AG) in the Federal Republic of Germany and Steyr-Daimler-Puch. The annual output will be between 100,000 and 150,000 units.

## Specialists in Heavy Duty Haulage Vehicles

There are three other specialist firms in Austria for heavy-duty vehicles. The "Österreichische Automobilfabrik (ÖAF)—Gräf and Stift AG" produces every year about 1,000 trucks and 250 buses. It also brings on the market stationary and mobile diesel generating sets with a performance from 50 to 250 kv-a.

Two firms, the Reformwerke Bauer at Wels, in Upper Austria, and the Traktorenwerk Lindner KG in Tirol, offer a particularly agile combination of tractor and cross-country vehicle; the universal haulage carrier known as "Muli" (mule), suited to the country's alpine agricultural and forest conditions.

## Foreign Commitments by Austria's Motor Industry

The motor industry's frequent co-operation with foreign firms is not confined to activities inside Austria. Undertakings abroad are glad to have its collaboration on major projects elsewhere.

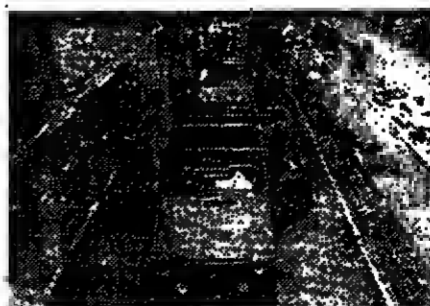
Examples of this are the mixed Austro-Greek vehicle production near Athens and co-operation agreements involving Austrian firms in the COMECON area, in Turkey, and in Nigeria. Such co-operation extends from the manufacture of the host country's total national requirements to the establishment of particular Austrian production components' depots under import tariff conditions.

## Vehicle Parts Sub-contractor for At Home and Abroad

In application of contemporary division of labour principles there has evolved in the industry, a rich variety of subcontractors whose comprehensive supply programme extends from ball-bearings to a car's textile furnishing requirements. The existence here of qualified workers is affecting increasingly the transfer of foreign motor manufacturers' subcontract works to Austria. For example, Usines Renault, has its castings done in Austrian foundries. Another is the Porsche Holding Ges.m.b.H. which, from the middle of 1979, has been in collaboration with an Austrian metal combine to meet Volkswagen and Audi/NSU's entire European requirement for clutches.

## Foreign Countries Avail themselves of Austria's Skilled Personnel

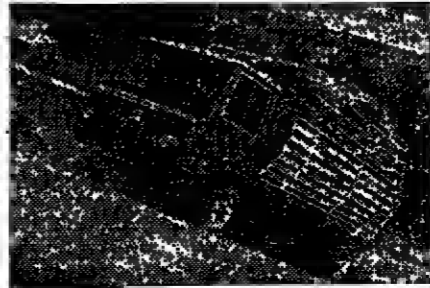
It is not surprising then, that Austria is frequently considered when a major foreign motor manufacturing concern thinks of diversification through production abroad. The premises are outstandingly favourable in Austria, where there is a reservoir of highly-skilled personnel, a well-developed infrastructure and stable political and social conditions. Austria extends every possible financial and organisational assistance, both from the official side and from the appropriate trade associations. This readiness to promote international division of labour in the field of motor vehicle production is in accord with the country's traditional commercial and economic policy whose objectives include global free trade and freedom of continental and worldwide collaboration.



Montage of the "Puch G" cross-country vehicle at the Graz-Thondorf works



"Muli 33", by the Reformwerke Bauer, Wels, Upper Austria, whose design is especially well suited to alpine forestry conditions



"Muli 150", by the Reformwerke Bauer, Wels, whose suitability for cross-country work purposes is outstanding



A trolley articulated bus, particularly suited for city traffic, produced by the same firm



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## Dr. Heinz Fischer

SOME AUSTRIAN commentators are becoming more and more convinced that it is the young leader of the Socialist Parliamentary group, Dr. Heinz Fischer, who may in the 1980s emerge as effective leader of the Socialist Party. As with so much in Austrian politics, his career chances depend too on the health of the Federal Chancellor and Socialist Party chairman, Dr. Bruno Kreisky. At 69 the Chancellor is more than ever the unchallenged leader of the ruling party, which he has led to four successive electoral victories since 1970, winning the last three elections with an absolute majority.

At the last Party Congress in the autumn of 1979 Dr. Kreisky was re-elected as chairman without a single delegate voting against him. But the real surprise at the Congress was the candidacy and subsequent election of Dr. Fischer as one of the deputy chairmen. At 44 the introverted, quiet and hitherto publicly least known Socialist politician among the top party figures has emerged as a force to reckon with in the succession battle once Dr. Kreisky leaves the political stage.

An unrivalled expert in Parliamentary wheeling and dealing, Dr. Fischer in 1983 became secretary of the Socialist Parliamentary group but entered Parliament only in 1971 when he was 33. For a long time his public image was adversely influenced by the fact that he was widely regarded as kind of political son of the influential Minister of Justice, Dr. Christian Broda. The bourgeois Press often campaigned against this brilliant legal expert as the most "dangerous" because genuinely Left-wing-theorist and politician in the Socialist



Dr. Fischer... good prospects of reaching the top.

leadership. Dr. Fischer's political heart is also to the Left of the Socialist centre. Since his election in 1975 as executive chairman of the Socialist Parliamentary group (led nominally by the Chancellor himself) Dr. Fischer has repeatedly demonstrated great political skill and undoubted talent for compromise. His disadvantage is a lack of executive experience in government. On the other hand Dr. Fischer is not only steeped in Socialist Party traditions through his family and his entire career; he is also by far the best educated leading politician, with a sure grasp of political theory. He lectures part-time at the University of Innsbruck. Liked by the young Socialists, respected by his elders and trusted by the powerful trade union chief Herr Anton Benya, this youngest among the Socialist top brass has good prospects of reaching the top in this decade.

## Leopold Gratz

THE MAYOR of Vienna and head of by far the largest Socialist Party organisation in the country, Herr Leopold Gratz, is, at 50, as popular as ever, but his chances of ever becoming Chancellor are currently regarded by most observers as not very good.

In a somewhat unfortunate interview last year, the mayor himself hinted that he would be primarily interested in taking over the party leadership rather than the Chancellorship once Dr. Kreisky goes. He is also widely tipped as a possible President in 1985. It is a largely ceremonial and not a policy-making position. (The incumbent, Dr. Rudolf Kirchschläger is certain to be re-elected for a second term this spring.)

## AUSTRIA IV

Bruno Kreisky and Anton Benya, grand old men of Austrian government and unionism are approaching retiring age. PAUL LENDVAI portrays possible successors.

## The younger generation

### Dr. Hannes Androsch

THE SUDDEN rise of Dr. Heinz Fischer to prominence sharpens the problems faced by Dr. Hannes Androsch, currently Vice-Chancellor and the longest serving Finance Minister in Austrian history. At the Socialist Party Congress Dr. Androsch was re-elected as one of the deputy chairmen but the fact that despite frantic behind-the-scenes canvassing over 50 delegates voted against him was a straw in the wind.

An able technocrat and still only 42, Dr. Androsch owes his career primarily to the Chancellor, who in 1970 chose him, a chartered accountant and a young backbencher for less than two years, as his Finance Minister in the first Socialist Government in post-war Austrian history. Subsequently, in the wake of Socialist electoral victories Dr. Androsch was promoted by the Chancellor to be his deputy. He later also forced Dr. Androsch on the somewhat reluctant Socialist establishment as one of the Party's deputy chairmen.

But the Finance Minister is still more popular among Austrian bankers and industrialists than among the Socialist intellectuals and large segments of the Party establishment. His ownership of one of the country's largest chartered accountancy firms and thus tax advisory services (after heated public controversies now administered by trustees), the placing of his confidants in key and highly lucrative positions in the world of finance and industry, the publicity campaigns launched on his behalf by home and abroad as well as his proven inability to suffer fools gladly have harmed his political image. But he is still the personal favourite, if no longer of the Chancellor, than lately of Herr Benya, the trades union chief.



Dr. Mock, chairman of the People's Party.

### Dr. Alois Mock

THE overwhelming Socialist victory at last May's General Elections created even earlier than expected a leadership crisis in the People's Party, which has been out of power since April, 1970. Party chairman, Dr. Josef Taus, a former banker, resigned last summer after the heads of the business, farmer and employee organisations which form the three pillars of the Party had rejected his radical concept for a change of the Party structure and for centralising power, policy and funds at the Federal level.

The new chairman, Dr. Alois Mock, 45, is an amiable former diplomat who entered party politics only in the final phase of the People's Party conservative government in 1969. Chief of Cabinet to the Chancellor, he was chosen overnight as new Minister of Education when the previous office holder suddenly resigned over a matter of principle (probably the first and so far last case of a post-war Austrian politician giving up a top job without being in any way forced to do so).

Subsequently Dr. Mock entered Parliament as representative of his native Lower Austria, and became head of the OeAAB, the League of Christian employers, the third pillar of the Party along with the leagues of business and farmers. In 1978 he took over as the leader of the People's Party Parliamentary group and was widely regarded as the natural successor to Dr. Taus.

Less brilliant but better looking and, above all, with a more attractive public image than his predecessor, Dr. Mock is currently engaged in carrying out a reform of the Party structure, the favourite pastime after lost elections. With no rival in sight, he is certain to lead the Party until the next elections.



Herr Sekanina... a dynamic union leader.

### Karl Sekanina

THE SUCCESSION to Dr. Kreisky, as Chancellor will be decisively influenced by the sympathies and antipathies of Herr Anton Benya, who will be 68 this year and who has just been re-elected as chairman of the trade union federation OeGB. His term expires in 1983. Under the peculiar Austrian system of social consensus, the 1.8m-strong and Socialist-dominated OeGB is a key power factor in political life. This is the reason why the question of who will succeed Herr Benya in this position is a major political issue.

The recent appointment of the most dynamic union leader of the new generation, Herr Karl Sekanina, as Minister of Construction strengthens rather than weakens his chances to succeed Herr Benya.

This 53-year-old, sometime metal worker and head of the powerful 280,000-strong metal workers' union is often nicknamed the "multi-functionary". Herr Sekanina is not only an MP and chairman of his union; he is also vice-president of the trade union federation, head of the Socialist organisation of his district, Vienna - Brigittenau, and, above all president of the Austrian soccer federation.

After his appointment as a Cabinet Minister, the corpulent unionist has given up two of his other positions—head of the Vienna social insurance office and leader of the Socialist unionists.

His greatest rival is Herr Alfred Dallinger, the leader of the private white-collar employees, reputed to be more Left-orientated than either Herr Benya or Herr Sekanina. For the moment, however, the ebullient, able and powerful hungry "Karl" is the front-runner in the succession game.

## Significant niche in world aviation

AUSTRIA'S CONTRIBUTION to world aviation may be small but it is highly significant. Some eminent Austrian scientists have given their names to major aviation developments over the years — Christian Doppler, for example, gave his name to the "Doppler effect" in navigation (a method of deducing an aircraft's position by measuring the changes of frequencies from the ground), while Ernst Mach's name is now widely used in the phrase "Mach Number" for measuring the speed of aircraft.

Civil aviation in Austria began in 1918 when the Austrian Postal Administration inaugurated a mail service which carried passengers when space permitted, but which halted at the end of World War I. In 1922 aviation was permitted again as a sport and a year later Austria's first civil airline, DELAG, was founded, with services between Munich and Vienna. By 1937, the airline had expanded considerably and services were operating regularly to major European cities, including London, Paris, Berlin, Prague, Rome and Zurich, as well as internally in Austria, using German three-engined Junkers Ju-52s, each seating 18 passengers.

After the Third Reich occupation of Austria in 1938 the airline was incorporated into the Reich's Luftwaffe, and it was not until after World War II, in 1947, that a separate national flag airline, Austrian Airlines, was again established, with majority State ownership. The first flight between Vienna and London happened on March 31, 1958. Since then, the airline has expanded consistently, until today it flies scheduled services between 37 cities in 28 countries, including most of the major cities in Western Europe, together with major destinations in the Middle East and North Africa such as Cairo, Beirut, Damascus, and recently also Jeddah in Saudi Arabia, with a stop en route at Larnaca in Cyprus. There are also charter services to such countries as Spain, the Canary Islands, Greece, Bulgaria, Romania, Tunisia, Malta, Morocco and Italy.

In addition to its regular flights between Vienna and Salzburg and London, Austrian Airlines from April 1 next will fly regularly three times a week between Vienna and Manchester, leaving Vienna in the evenings on Thursday, Friday and Sunday, and returning to Vienna in the morning on Mondays, Fridays and Saturdays. The airline's total unduplicated route mileage is about 33,000 km.

In 1978 the airline carried just over 1.6m passengers, an increase of 13 per cent on the previous year, and provisional figures indicate that a further expansion occurred last year. The airline has been consistently in the black in recent years, earning a profit of Sch 32.5m in 1978. It has about 2,400 employees.

The unique feature about Austrian Airlines in European air transport—apart from its consistent profitability—is the fact that it has remained essentially a short-to-medium haul airline.

Although some years ago, Austrian Airlines had a brief interest in the North Atlantic route, in conjunction with Sabena of Belgium to New York, this was eventually dropped, and the Austrian carrier does not operate long-haul services of its own.

**Emphasis**  
Austrian Airlines prefers to pick up long-haul passengers arriving or departing at various European "gateway" points, for transport to and from Austria, and it has sales offices in New York and now also in Los Angeles, which collectively provide it with an estimated 55,000 to 60,000 passengers a year from North America. But the majority of its traffic by far consists of intra-European and Europe-Middle East short-to-medium haul passengers.

This emphasis is reflected in the aircraft fleet, which has always consisted of short-to-medium haul narrow-bodied aircraft—initially four UK Vickers Viscount turbo-prop airliners and subsequently the U.S. McDonnell Douglas DC-9 twin-engine jet airliners. The airline has been a consistent DC-9 buyer over the years from the early DC-9-32s through to the later and bigger DC-9-51s, and now to the latest model, the bigger, quieter and more fuel-efficient DC-9 Series 80, of which the airline is buying nine, with an option on three more, in a Sch 4bn expansion and development programme.

The first Series 80 is expected to join the fleet some time this summer, and some of the earlier types of DC-9 will be sold. At present the fleet comprises 14 DC-9 jets (nine Series 32s and five Series 51s). For some time the airline has maintained a working relationship with Swissair, which also has a fleet of DC-9s, which has enabled Austrian Airlines to undertake maintenance work on Swissair's jets at its Vienna Airport base. This working relationship also enabled the two airlines to exchange jet equipment when circumstances require.



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<sup>1</sup> Converted at Ash 12.546 per US\$ <sup>2</sup> Figures before auditing  
<sup>3</sup> Fall in net profits due to corporate tax increase of 100% in 1978 for savings banks.

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## AUSTRIA V

## Tourism vital to the economy



Lorin Maazel: a fuss about his earnings as musical director of the State Opera

## Crisis over the waltz

CRISIS IN Vienna: one of the city's leading musical critics began the year by announcing that two of the best-known conductors of the Vienna Philharmonic Orchestra and the State Opera were incapable of conducting a decent Vienna waltz. He had been to the orchestra's traditional New Year's concert, and hadn't liked it.

Since only one of the offending pair was Austrian it was not a case of xenophobia, nor of the mildly patronising attitude so common among the Viennese towards those with the misfortune to have been born elsewhere.

They ought to know better since every Austrian who happens not to be Viennese knows that the citizenry of the capital all come from Bohemia or worse. True, that suspicion was not entirely correct, even in the late 19th century, when the capital attracted streams of migrants from the outlying parts of the Hapsburg empire. But ideas die hard—about the Viennese, about the foreigner, and about how to play a waltz.

In any case, the critic's thrust did rather go into thin air—the void created in Vienna by the Christmas season. There were any appointments there your self for the period between Christmas and Epiphany (January 6 for those unfamiliar with the calendar of Saints and Austrian days off), and you will know what is meant.

The real attack began when people had begun to flood back from skiing on the Arlberg slopes. The same newspaper, *Die Presse*, informed its readers that the newly appointed musical director of the State Opera, Mr. Lorin Maazel, would be earning AS\$4.4m (about £200,000) a year when he takes over in 1982.

## On salaries

Top salaries in Austria are not exactly niggardly, but the story did cause the desired fuss. It even made the lead home story on the TV news that night.

The Chancellor, Dr. Bruno Kreisky, was asked to comment before the cameras, and he skillfully implied that (a) he couldn't believe it, (b) the matter would be looked into, and (c) there really was no reason for all this fuss.

The matter may, indeed, have been of second rate importance, but it did show Dr. Kreisky at his diplomatic best. For the simple fact of the matter is that allowing for a little arithmetical legerdemain *Die Presse* had got it right.

Mr. Maazel has been guaranteed eight monthly salaries a year of AS\$150,000, equal to an annual fee of AS\$1.2m. Over and above that he will receive AS\$150,000 for every evening when he conducts an opera (the fee also paid to other top conductors), and has been guaranteed 30 evenings on the rostrum. That adds up to AS\$4.5m, with the chance of increasing the amount by making a greater number of appearances.

HUNGARIAN AND Slav languages can be heard spoken in central Vienna more frequently than Arabic and German in the shopping and tourist haunts of London. The historic Hapsburg monarchy which reached from the Alps to Romania may have gone, but Austria still bears its imprint.

Foreigners go there not only to shop, ski and do their sight-seeing. Thousands have found asylum as refugees; thousands more pass through on their way from Eastern Europe to new homes in America or Israel. Another group is settling in (slightly disgruntled by having to leave central Vienna) in the so-called UNO-City, a monster building which has become the third home of the United Nations, ranging behind New York and Geneva.

The UNO-City looks imposing enough from a distance, though from within it has the alienating atmosphere of most huge office blocks. At present more than 3,000 people work there—half of them Austrians—in the International Atomic Energy Agency and the United Nations International Development Organisation, plus some smaller outfits. The building cost something in the region of \$800,000 (including interest charges) and has been let to the UN by the Austrian Government for a nominal rent of Sch 1 a year. The idea behind that generosity was to underpin

Austrian neutrality by making Vienna a home for the world organisation.

Other international organisations such as the OPEC secretariat have made their home in Vienna (with unhappy memories of the seizure of OPEC ministers in 1975 and a relatively harmless bomb explosion this month), and yet another group of mixed national origins practises the mysteries of East-West trade. About 470 Western concerns are estimated to have set up offices in Vienna for that purpose. Beyond that, there are 171,000 migrant labourers in Austria, a figure that has come down from a peak of 227,000 (or rather more if you add in those who came in illegally). And there are, of course, the tourists.

## Trade deficit

Without them the country would have gone broke many times over. Net income from tourists (at a time when Austrians themselves are spending increasing amounts abroad, especially on the Mediterranean shore) covers the visible trade deficit as to more than 60 per cent. The immensa importance to the economy overall of this money is recognised by the authorities, which constantly help the tourist industry with large indirect subsidies. They pay for international publicity; make available warranties and subsidised credits. They have also

greatly improved the roads in the last 15-20 years.

It was not always thus. If you go back to the origins of the tourist industry proper, you will find many a complaint in the second half of the 19th century that the authorities were not especially interested in the tourist except as a source of revenue for the State.

Historically speaking, the Austrian tourist business goes back to three sources: the spas, which, though known as far back as Roman times, became fashionable in the late 18th century; the new love of landscape and the simple life associated with the romantic movement; and, if you stretch a point, the mediaeval habit of going on pilgrimage.

At St. Wolfgang, in the Salzkammergut, the lake district near Salzburg, the first hostel for pilgrims was founded in 1315. Now the place is flooded rather by the curious attracted by the White Horse Inn of operetta fame. But many still spare at least a glance for the fine late gothic altar in the church. To this day pilgrimages make their contribution to the food of visitors to many an Austrian resort, but it is admittedly a small one in terms of numbers.

The tourist trade received a double impulse in the 19th century when the Vienna bourgeois began to banker after the clean air of the mountains south of the city. The first

Austrian railway, built for strategic and trade reasons southwards to the port of Trieste (then part of the monarchy) played its part in developing these regions, but also of resorts as far afield as Abbazia on the Adriatic.

Meanwhile the court found its summer home at Bad Ischl, in the Salzkammergut, where saline baths are credited with good medicinal properties to this day. Not every clever merchandising trick is an invention of recent times; as early as 1840 bottled air from Ischl was sent to some of the Austrian cities because it was supposed to be healthier than the local kind.

Edward VII was a repeated visitor to Ischl, but on the whole the tourists before World War I came from within the Hapsburg empire; Viennese bourgeois and aristocrats, and landowners from regions farther south east, and a growing admixture of Germans. Only after 1918 did the foreign element grow, and particularly that of the Germans.

In the first nine months of 1979 101m overnight stays in tourist accommodation were registered, of which 77m were credited to foreign visitors, including 57m to West Germans. The number of tourists was 16m, only 4m of them from within Austria.

In all, 1978/79 was a good year. The winter season recorded a 2 per cent increase

in the number of overnight stays of foreigners, and an increase of 1.7 per cent overall if the Austrians are included. In the summer of 1979, the best since 1972, the overnight stays of foreigners increased by 6 per cent, and overnight stays altogether by 5 per cent.

The Austrian industry benefited from the political troubles in certain Mediterranean countries, but also from the oil crisis. The approach roads from Germany are short, and petrol never was hard to get in Austria itself.

Yet all is not well in the tourist industry. Over the year as a whole (though Austria has both summer and winter seasons) available hotel and inn capacities are only occupied as to about 30 per cent.

## Entrepreneurs

The reasons are various. Many summer resorts do not have enough snow to attract winter tourists; many old hotels are in places which no longer appeal to modern travellers; but it is also true that an ever increasing number of summer tourists stay in small pensions or as paying guests in what really are private houses. It may make for *Gemuetlichkeit*, but these are not the kind of entrepreneurs who fill the gaps by special offers during the off season.

An argument is therefore going on as to whether the tourist industry, partly by making greater use of computers for

booking systems and partly by greater use of the package tour operators, can be "industrialised." To this day four out of five German tourists arrive without benefit of a travel agent.

The anti-industrialisation school, with the support of the chambers of commerce organisation, representative mainly of small entrepreneurs, argues that Austria will lose much of its charm for the foreigner if mass tourism is encouraged more than it already is.

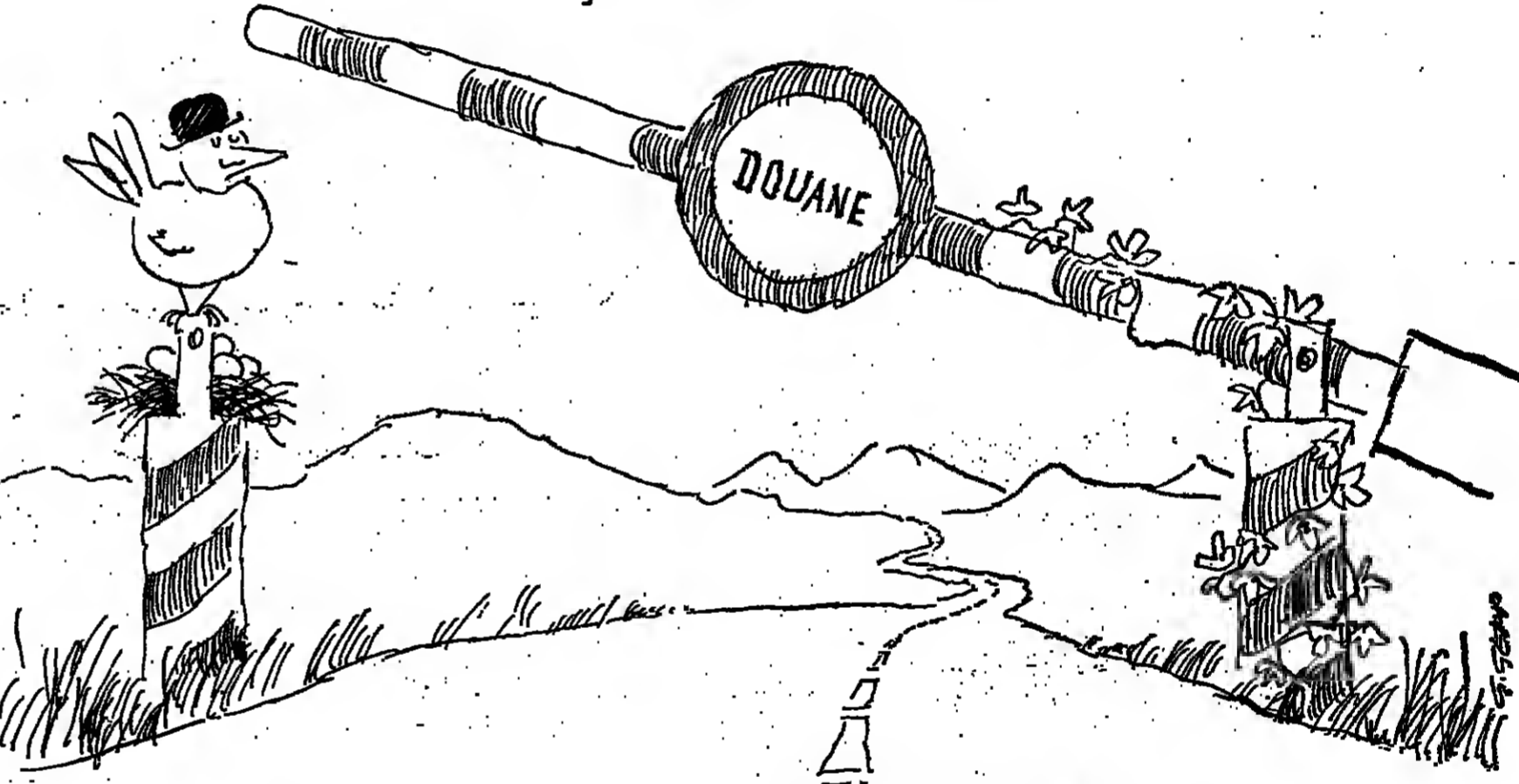
Whatever the merits of the case, anyone with a first-hand knowledge of the tourist resorts can see that the trade has left its scars in the form of meadows scraped bare of grass by winter skiers and landscapes impaired by buildings sprouting in what used to be open country. But it has also produced immense prosperity where there was a local infrastructure of tradesmen to benefit from the building boom: to repair the tourists' cars, to cut their hair, to sell them local costume in the Dirndl fashion, to feed them the sinfully delicious pastries for which Austria is justly famous.

Gone are the days, when, in 1827, a bylaw in Ischl—mindful of the health of the visitors to that spa, but also of the needs of the local population—forbade innkeepers to serve rich puddings and smoked meats to visitors taking the waters.

W.L.L.

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There have been 15 outbreaks of the disease in Britain so far this year, most of which are believed to be linked to the feeding of improperly treated will.

# New York curbs copper speculation

It appears unlikely, however, that the effects of the June rise will have been entirely eliminated before the price goes up to 16½p from February 17.

## First tea flown from Rhodesia

On the London futures market prices rallied strongly following the sharp fall earlier this week. The March position ended the day £27 up at 1,507.5 a tonne.

## National v. Community good

present situation is leading to a crisis in the Community. But it is not one that will simply be solved in the case of a deep meat by compromise or a French climb-down. In reality the crisis is one of the per-

Although sales of lamb are of supreme importance to the New Zealand economy, it is a fact that the farming industry itself is earning an increasing

The present French action would become an obvious precedent.

## Milk sales recover but fresh price rise due

It appears unlikely, however, that the effects of the June rise will have been entirely eliminated before the price goes up to 16½p from February 17.

## World coffee exports up

On the London futures market prices rallied strongly following the sharp fall earlier this week. The March position ended the day £27 up at 1,507.5 a tonne.

## Cutbacks at bacon factory

Mr. Cattell said heavy losses at Calne have been a problem for the group over a number of years.

## Cane refining pledge sought

**British Agriculture Ministry to  
an EEC Commission proposal  
for a reduction by 1.25m tonnes  
in the sugar quota of Member  
States.  
Representatives of Barbados,**

Community to honour effectively the provisions of the protocol under which it is committed to purchase a specific quantity of ACP sugar for an indefinite time.

On the London sugar terminal market yesterday the daily price was raised by £7 to £210 a tonne. The May position closed £2.6 up at nearly £218 a tonne.

## Backing to ban whale products

conservationist group said this would put more pressure on the UK Government to follow up its declared policy on banning whale products imports within the EEC.

## BRITISH COMMODITY MARKETS

## BASE METALS

[illegible]

**I.G. Index Limited 01-351 3466. August Sugar 218.6-220.15**  
**29 Lamont Road, London SW10 0HS.**  
 1. Tax-free trading on commodity futures.  
 2. The commodity futures market for the small investor.

**CORAL INDEX: Close 445-450 (-8)**

## INSURANCE BASE RATES

† Property Growth .....	15½%
† Vanbrugh Guaranteed .....	14½%
† Address shown under Insurance and Property Table.	

# ARE YOU TRADING SUGAR FUTURES?

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SUGAR MARKET REPORT**  
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**THINKING OF JOINING  
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**E. HUTTON & COMPANY (LONDON) LIMITED**  
10, Abchurch Lane, LONDON, EC4N 3JH.

**LEAD**—Lost ground. After moving ahead on the pre-market to touch \$515, Jan. 24: 15-day average 143.37 (143.01); 22-day average 143.77 (143.93).

Cocoa	Close		Difference
March	1458.54	+5.5	1457.48
May	1428.45	-8.5	1435.45
July	1450.56	-6	1468.51
Sept.	1459.72	-7	1481.75
Dec.	1498.50	-8.5	1510.1499
March	1318.20	-11	-

Sales: 637 (7,032) at 15 tonnes;

## SILVER

December...	117.00-16.25	-0.20	
February...	121.00-21.25	-0.25	121.00

Sales: 42 (95) lots of 100 tonnes.

## WOOL FUTURES

LONDON NEW ZEALAND CROSS-  
 REDS—Close (in order buyer, seller,

ualness, sales). New Zealand cents  
er kilo). May 410, 413, 400-398, 8:

Aug. 415, 416, 415-416, 3; Oct. 415, 416, 415-416, 3; Nov. 415, 416, 415-416, 3; Dec. 413, 419, 416-412, 20, 416-412, 6; Dec. 413, 419, 416-412, 20, 416-412, 6; Jan. 413, 415, 415-412, 3; March 412, 416, 415, 30; May 415, 420, 415, 30; June 415, 416, 415-416, 3; July 415, 416, 415-416, 3; Aug. 415, 425, nil, nil. Seals: 82  
 tons of 25,000 kilos.

**SWANEE CREAMY WOOL**—Clean (in

**PRICE CHANGES**  
In cases where otherwise not

**HIDES—Manchester.** Mostly unchanged. Second clear ox: 31-35.5 kilos, 47p (same); 28-30.5, 66.5p (55.5); 22-25.5, 66p (63). Light cows 60p (60p withdrawn).  
★

**GRIMSBY FISH—Supply fair, demand**

## AMERICAN MARKETS

Jan. 24	Jan. 23	19th	4th	Year ago
1309.0	1414.7	1474.2	1000.5	

(Basis: Jan. 1, 1952=100)

**MOODY'S**

Jan. 24	Jan. 23	19th	4th	Year ago
1777.1	1760.8	1709.8	1808.3	

(Basis: September 18, 1931=100)

**REUTERS**

(December 31, 1931=100)

Ewe hindquarters 69.0 to 73.0, fore-  
quarters 46.0 to 49.0. Lamb: English  
small 54.0 to 60.0, medium 46.0 to  
58.0, heavy 40.0 to 52.0; Scotch  
50.0, 100-120 lbs 39.0 to 49.0, 120-  
160 lbs 38.0 to 47.0.

**MEAT COMMISSION**—Average fat-  
stock prices at representative markets

(Base: September 18, 1931 = 100)

MEAT COMMISSION—Average fat-  
stock prices at representative markets



# AUTHORISED UNIT TRUSTS

[illegible]

# INSURANCE PROPERTY BONDS

9111	Garbanon Royal Exchange Royal Exchange, E.L.C.	
9112	7221 Property Security	237.00
9113	Do. Property	112.00
9114	Managed Insur.	112.00
9115	Do. Insur.	112.00
9116	Equity Insur.	112.00
9117	Do. Accidents	112.00
9118	Do. Accidents	112.00
9119	Do. Accidents	112.00
9120	Do. Accidents	112.00
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9208	Do. Accidents	112.00
9209	Do. Accidents	112.00
9210	Do. Accidents	112.00
9211	Do. Accidents	112.00
9212	Do. Accidents	112.00
9213	Do. Accidents	112.00
9214	Do. Accidents	112.00
9215	Do. Accidents	112.0

## OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

## That's BTR

... ..

**INSURANCE—Continued****PROPERTY—Continued**

## INVESTMENT TRUSTS—Cont

**FINANCE, LAND—Continue**

**a fully integrated banking service**

A fully integrated banking service									
BANK OF MARYLAND									
Head Office: Osaka, Japan									
MINES—Continued									
CENTRAL AFRICAN									
1979-80	Stock	Price	% Chg	Div	Yld	1978-79	Stock	Price	% Chg
330	97	400	+30	05%	2.3	77	97	400	+30
1372	10	640	+30	05%	2.3	77	10	640	+30
48	10	640	+30	05%	2.3	77	48	10	640
1372	10	640	+30	05%	2.3	77	1372	10	640
48	10	640	+30	05%	2.3	77	48	10	640
1372	10	640	+30	05%	2.3	77	1372	10	640
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1372	10	640	+30	05%	2.3	77	1372	10	640
48	10	640	+30	05%	2.3	77	48	10	640
1372	10	640	+30	05%	2.3	77	1372	10	640
48	10	640	+30	05%	2.3	77	48	10	640
137									

16	Lois	34	MEPC	25
17	London Brick	35	Peaschey	17
18	Luxus Inter.	36	Santoni Prop.	12
19	MacLure	37	Town & Crag	2
20	Mills & Spear			
21	Midland Bank			
22	N.E.I.			
23	N.W. West, East			
24	P. & D. Dist.			
25	Pleesey			
26	Real Estate			
27	R.M.M.			
28	Bank Org.			
29	Reed Intnl.			
30	Seal Indus.			
31	Shel			
32	Tricontral			
33	Ultramar			
34	Oil			
35	Petroleum			
36	Burnell Oil			
37	Chemical			
38	Propriet			
39	Shell			
40	Tricontral			
41	Ultramar			

Unipol	51	Plessey	10	Walsby	62
Anglo Star	14	Recal Elect.	20	KCA	63
N.F.C.	13	R.H.M.	41	Premier	48
Gen. Accident	21	Rank Org.	18	Sheff	28
Gen. Electric	30	Reed Intnl.	17	Tricontrol	27
Imco	40	Sears	52	Ultramar	32



## CREDIT SCHEME LAPSED, EXCHANGES LIMITED

## UK measures against Russia

BY RICHARD EVANS, LOBBY EDITOR

BRITAIN'S CAMPAIGN of retaliation against the Soviet Union, following the invasion of Afghanistan, will include ending preferential credit agreements, and curtailing Ministerial contacts and many cultural exchanges.

Lord Carrington, Foreign Secretary, told Parliament that similar action by other Western nations would help make the Russians understand they could not break the rules of international behaviour with impunity, either now or in the future.

The Foreign Secretary also outlined proposals to counter Soviet influence in the Middle East, by giving further help to Pakistan to tackle its political, economic and military problems, and to seek closer co-operation with Turkey and the countries of the Arab peninsula.

But it was clear that Ministers were anxious not to follow the past in isolation from the UK's allies — and commercial rivals. Lord Carrington stressed that while it was right that the Russians should feel the strength of British disapproval, it was also right that where possible:

"We should continue the search for arms control agreements, commercially justified trade, and other arrangements of mutual benefit."

The measures received a broad welcome from the Opposition front bench — except for the continuing attempt to remove the Olympic Games from Moscow, which Labour leaders regard as likely to backfire to the advantage of the Russians — but it was strongly criticised by many Conservative backbenchers for its lack of bite.

The measures, announced yesterday following a Cabinet meeting when Lord Carrington reported on his extensive tour of the region, included:

● Lapsing the British/Soviet credit agreement concluded by the Labour Government in 1973, which expires on February 16. The Government's view is that all trade should be pursued on a basis of mutual advantage. Credit in future will be considered on a case by case basis, and would not be set at rates more favourable than the international consensus.

● On technology, discussions are taking place with Britain's allies

for the tighter application of rules for controlling the transfer of sensitive technology to the Soviet Union.

● No food should be exported from the European Community to the Soviet Union, which would directly or indirectly replace supplies denied by the U.S. Britain is also to end subsidised sales of butter, meat and sugar to the Soviet Union.

● High level Ministerial contacts with the Soviet Union will be avoided. Military exchanges under consideration will be cancelled, and attempts will be made to stop cultural and other exchanges which could give an impression that nothing had changed following the invasion of Afghanistan.

● Continuing efforts will be made to have the Olympic Games removed from Moscow because of the danger of exploitation by the Russian authorities to their political advantage. The British Olympic Association has agreed to consider the Prime Minister's request for alternative sites, but the prospect of agreement appears slim.

The main criticism from the Tory benches was of the lack of effective action against Soviet trade. A number of MPs argued that more positive steps should be taken to stop subsidised Soviet goods entering Britain.

The Government's view was that the package represented a reasonable programme of action in the circumstances, and it was essential to gain support from Britain's allies before more positive steps were taken. There was little attempt to hide continuing disappointment at the more negative reaction from France and West Germany.

The Commons Select Committee on Foreign Affairs announced yesterday it was to launch an inquiry into the consequences of Soviet expansion for British foreign policy, including the siting of the Olympic Games, and relations with Iran, the Gulf, Pakistan and the Mediterranean. The intention is to produce a report in a matter of weeks.

Sakharov attacks invasion — Page 2  
Soviets told of French disapproval — Page 2

## Bullion market quietens in Europe

By David Marsh in London and John Wicker in Zurich

THE bullion market quietened yesterday, partly in response to an unprecedented move by the major Swiss banks to suspend the London trading of the gold price closed at \$705 an ounce, up \$5 overnight.

Fluctuations in the gold price were more modest than the swings of up to \$100 registered during Wednesday's frenetic trading. The market remained highly sensitive to the price moving between \$655 and \$735.

The banks forming the Swiss gold pool — Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse — decided to suspend trading after 12.30 pm local time to cater up with bookwork caused by the flood of business during the morning, much of it from small investors. There will also be no afternoon trading in Zurich today.

Bank officials stressed the temporary closure was for administrative reasons only. But it is also likely that the banks are deliberately allowing the market a pause in the hope of calming the market.

The Zurich move follows action earlier this week in the U.S. and West Germany to dampen speculative activity in gold and silver. In Hong Kong the Chinese and Silver Society reacted yesterday to hectic trading on the local market by raising for the second time in a week the deposit needed to deal in the market.

The London spot silver price closed at \$39.50 per ounce, up slightly to DM 1.7315 from Wednesday's DM 1.7295. Sterling dropped back to \$2.2785 from \$2.2790, with its trade weighted index up to 72.1 from 71.8.

Why gold prices make demoniacal moves, Page 2  
Commodities, Page 31

## THE LEX COLUMN

## Rank squeezes the bears

Index fell 2.1 to 448.7

The excitement in a thoroughly overheated gilt-edged market ended in tears yesterday, for everyone but the Government broker and the leading jobbers. The steps put in very large applications for the long tap, expecting to be scaled down severely, in fact they got half of what they asked for and had to pay a full point premium for it — a point of profit for those jobbers who had bought at Wednesday's tender. Distress selling ensued.

Once again brokers were put in the position of having to deal at the opening price with no time to consult their clients: not all the clients seem to have been happy to pay up.

## Rank Organisation

A 20p jump in the share price of the Rank Organisation in 20p seems a rather violent response to the group's 8 per cent rise in pre-tax profits to £131.2m; the market had been bearish, and indeed Rank took the trouble to lash out at "pesimistic City predictions" in its press release. There are few surprises in the contribution of Rank Xerox, of which Rank's share of pre-tax profits has improved only 4 per cent to £101.8m. Boosted by £20m of FAS 8 currency gains in the first half (of which Rank's share was £5.5m) RX saw £18m of this melt away in the second six months, though underlying profits growth excluding currency movements is said to be 10 per cent. In the non-Xerox interests, however, there has been a sharp improvement, the loss of £0.7m at the half-way stage being turned into a £30m pre-tax profit for the full year.

Gains by Butlin's and a fast time contribution from Leisure Caravans Parks have come through strongly in the second half, which takes in the whole of the summer season. Profits elsewhere appear mostly to have edged ahead, with a further cut in losses at Rank Radio International, though the

ciated initial cash payments is hurting cash-flow, while the slack conditions in the process plant industry in general are leading to increasing pressure on margins on long-term work. For the year as a whole, Davy may show pre-tax profits of £18m or thereabouts — more or less the 1976-77 level. Having fallen 16p yesterday to 50p, the shares are trading on almost eight times prospective fully-taxed earnings, and yield 10.8 per cent on an unchanged dividend; this may not be quite enough to give firm support.

## Inchcape

After its sharp setback last year, Inchcape is well on the way to meeting its forecast of a recovery in profits to around the level of 1977-78, when it made £62.3m pre-tax. In the first half of 1979-80, profits are £32.3m higher at £31.2m, and something like £65m is feasible for the year as a whole.

Loss reduction in the Dutch commodity trading business has been worth roughly £3m so far and could add up to nearly £17m over the full twelve months. In South East Asia, a marked recovery at Inchcape Berhad has added around £3m to interim profits and Hong Kong is well up too.

There is no recovery in sight in Nigeria, and a renegotiation of the management contract for the Port of Jeddah will squeeze Middle East profits in the current six months. Then there is the impact of sterling's rise on currency translation, which has knocked out £3.3m so far but with the Far East and Smith East Asia probably accounting for over half its profits, Inchcape is optimistic about continued progress through 1980.

This lies behind the relative strength of the shares in the last month or two. The gross dividend is set to rise by at least a tenth, leaving a well covered yield of 1.5 per cent at 348p.

## Davy Corp.

Davy's figures have had an unhappy knack of falling behind expectations recently, and yesterday's interim results were particularly nasty surprises. Pre-tax profits have fallen to £4.6m from £8.5m, despite a positive contribution, net of interest costs, from McKee.

The engineering strike seems to have cost the UK manufacturing companies, not over profitable at the best of times, around £2m. Davy has also had to make a £3m provision against losses that have suddenly turned up in a U.S. subsidiary (not part of McKee). The wave into loss by the associate company A. Monk has cost another £2m.

These exceptional items explain the fall in profits well enough, but there are nagging worries about the fundamental business. There is a shortage of large new contracts, so that the lack of assu-

## Document on union law planned

By Gareth Griffiths, Labour Staff

THE GOVERNMENT is to publish a consultative document on the legal immunities of trade unions following a recent House of Lords decision which sanctioned sympathy "blacklisting" in industrial disputes.

The format of the paper will be similar to those produced in the autumn before the Employment Bill was published. Ministers want to consult interested groups, including the TUC and the CBI about the proposals, which suggests the Government is considering a separate Bill on immunities rather than rushing through an amendment to the Employment Bill.

Lord Gower, Minister of State for Employment, told an Institute of Personnel Management conference in London yesterday that the present state of the law was unjust. It penalised innocent and powerless third parties in disputes.

"As a result of the House of Lords judgment in the *MeShane* case it is now clear that the law is that a union official can call any industrial action which he genuinely believes will further the dispute. The action can be at the premises of employers who are so far removed from the dispute that they have no interest in it and no means of influencing its outcome."

The *MeShane* judgment in December decided that action by the National Union of Journalists in blacking news material at Express Newspapers was lawful. The unanimous decision by the five Law Lords has been regarded by trade unionists as a reassertion of their right to take action wherever they believe it would help win a particular dispute and goes directly against the Government's intentions on secondary picketing.

It remains to be seen whether the TUC will attach much importance to the consultation period over immunities. Trade union officials were annoyed by the Government's treatment of their suggestion over the working papers before the publication of the Employment Bill.

Continued from Page 1

## Gilt

on recent gilt issues in the next six weeks.

The Bank of England is likely to want to prevent these pressures producing a very sharp rise in short-term interest rates. Consequently it will probably be prepared to make further purchases of two billion gilts in March and May and to relieve liquidity by the usual money market transactions, including the purchase of bills from the banks and discount houses.

It is possible that the recall of special deposits temporarily released earlier this month might be postponed.

Continued from Page 1

## Polaris

other side of the Atlantic. The Chevalier project had involved "a very major and complex development of the missile from end to end and included improvement to the fire control system."

A successful series of flight trials had already taken place. Development was near completion. "Deployment will begin soon thereafter," Mr. Pym told MPs.

## U.S. equipment for China

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

PRESTIDIT CARTER took steps yesterday to generate support from America's friends and allies for the tough new policy towards Russian expansionism which he outlined in his State of the Union message on Wednesday night.

Welcoming Senator Francesco Cossiga, the Italian Prime Minister, to Washington on a state visit, Mr. Carter said: "These are indeed difficult and sobering days... the threat to human rights from terrorism and international violence is present for friends to stand together."

At the same time, the Defence Department announced that the U.S. was prepared to sell to the People's Republic of China "on a case by case basis certain carefully selected items of support equipment, also suitable for military use, for example trucks, communications gear and certain types of early warning radar."

Although the Pentagon stressed this was no departure from the official U.S. policy of not selling arms to the Chinese and although the announcement itself did not go much beyond

what Dr. Harold Brown, the Defence Secretary, had said in his recent visit to Peking, its timing may be considered significant.

So, it appears, is the fact that today in London two senior U.S. diplomats, Mr. Sol Linowitz, the Middle East negotiator, and Mr. David Newsome, Under Secretary of State for Political Affairs, will confer with King Hussein of Jordan.

They will try to convince the monarch that the U.S. is pushing hard for resolution of the status of West Bank Palestinians and that the U.S., therefore, deserves the support of the Muslim world in the face of the threat from the Soviet Union's invasion of Afghanistan.

The fundamental thrust of the State of the Union message was to warn the Soviet Union that the U.S. considered the Persian Gulf area to be of vital interest and was prepared to defend its integrity with force, if necessary.

Neither the President, nor other administration officials, defined the countries in the area, claiming that the U.S.

needed flexibility in the light of events. At the same time, Mr. Carter offered Moscow the promise of continued détente if the Soviet Union shunned colonial, or aggressive, ambitions.

The speech was warmly applauded by the joint session of Congress on Wednesday night. Much of the reaction yesterday focused on his most controversial proposal — renewing registration as a possible precursor for national military service (the Draft).

Liberals, recalling the national antipathy for the Draft during the Vietnam war, were sharply critical, though Conservatives supported the President's initiative.

Carter's address, though far from a clarion call to arms, acknowledged the fact that the country had responded favourably to the perceived firmness, allied with restraint, that he has employed in the successive crises over Iran and Afghanistan.

Carter doctrine aimed at protecting all, Page 4  
Editorial comment, Page 16

## Algerian bid to double gas price

BY RAY DAFTER AND FRANCIS GHILES

ALGERIA is seeking to double the price of some of its natural gas export contracts to a \$10 to reveal the fuel in line with crude oil.

The move is seen in the energy industry as part of a concerted drive among members of the Organisation of Petroleum Exporting Countries to achieve parity of pricing between exported gas and crude oil.

Algeria, one of the oil pricing "hawks" and a leading OPEC exporter of liquefied natural gas (LNG), is reported to have told one of its major customers, Gaz de France, that the price of gas supplies will have to rise from about \$3 per million British Thermal Units (BTU) to \$5-6 per million BTU. Sonatrach, the Algerian state energy company, wants its export gas to have pricing parity with Saharan Blend crude oil, which costs \$33 a barrel.

The British Gas Corporation is also involved in tough pricing negotiations with Sonatrach, which has been asked to continue supplying LNG to the UK. The Corporation's long-term import contract, amounting in an average of 100m cubic feet a day (about 2 per cent of Britain's gas needs), expires in the next few months.

Abu Dhabi, another prominent member of OPEC, is also linking the price of its exported LNG to the value of crude oil in its case. Murdoch said. As a result, it is understood that the price of its gas, exported to

Japan, rose from \$2.36 per m BTU to over \$4.70 a m BTU at the end of last year.

Most gas export contracts include a mechanism that enables prices to move in response to increases in the value of crude oil or oil products. On February 17, for instance, Canada will raise the price of gas exported by pipeline to the U.S. from \$3.45 to \$4.47 per m BTU.

However, gas exporters in OPEC have complained that because of historical pricing policies, natural gas is underpriced in relation to its value as a clean, highly flexible premium fuel.

International gas trade is small in comparison with the crude oil market. The equivalent of around 3m barrels of crude oil is moved daily in the international market, as against some 34m b/d of oil. However, the trade is growing, and OPEC appears determined to exercise greater pricing influence.

The negotiations between Sonatrach and Gaz de France are taking place against the background of a dramatic improvement in relations between France and its former colony. Last week's visit in Paris by Mr. Mohammed Soudik Ben Yabia, Algeria's Minister of Foreign Affairs, was most successful, with both sides emphasising that most of the problems between them — the size of the Algerian immigrant community in France and the French trade surplus with

Algeria — must be solved.

But an improvement in relations would not preclude Algeria from seeking a spectacular improvement in the price France pays for Algerian LNG. Algerian leaders have long made clear that business and politics must be kept apart.

Meanwhile, Algeria is understood to have cut gas to France's entitlement from the Skikda liquefaction plant, the second largest in the country, by 20 per cent, to encourage gas de France and other contractors — which include companies from most Western European countries and the U.S. — to agree to an increase in prices.

Oil prices in the spot market have fallen sharply in recent weeks. Traders report that prices for standard Middle East crude average \$34 to \$35 a barrel as against up to \$39 at the beginning of the year. The traders say the drop as a reaction to panic buying during the last quarter of last year when some small consignments were fetching up to \$45-\$50 a barrel.

This rush to buy oil left little storage space available. The exceptionally warm winter so far in Northern Europe has meant that the demand has been less than expected.

But Dr. Mana Saeed Oteiba, Abu Dhabi's Oil Minister, said yesterday that the continuing instability and imbalance in the oil market would force contract prices higher by the middle of this year.

## Aston grouping makes MG bid

BY JOHN GRIFFITHS

A CONSORTIUM led by Aston Martin yesterday offered to buy the MG sports car business.

Mr. Alan Curtis, joint managing director of Aston Martin, would give no details of how the consortium — consisting of Aston Martin, British Car Auctions and construction group Northwest Hind — was willing to pay.

He said: "There is at present no indication of how long BL will deliberate over the matter but both BL and the consortium are aware of the need to conclude discussions as soon as possible."

BL is expected to start studying the offer today but a formal

reply is not expected until next week at the earliest.

The consortium to the past has indicated that it wants to acquire the entire business, including the Abingdon plant and the MG name.

Although BL has hinted that it might allow MGs to be made under licence, it has shown a marked reluctance to part with the marque name or to dispose of the Abingdon plant.

Its marketing plans include the MG name on a sports model, possibly a stretched, four-seater version of the Triumph TR7. Under the rationalisation plan announced by Sir Michael Edwards in September the Abingdon plant would be used

for work on the joint BL-Honda model, to make room at Cowley for quicker introduction of other models.

The consortium has said that if it were to take over the entire operation, it would maintain production of existing MG models, prior to re-manufacturing the range.

BL admitted late last year that it was sustaining a loss of £800 on each MG sold in the U.S. which takes about 70 per cent of output. In spite of last year's losses of about £20m on the MG operation, Mr. Curtis said last night that after investigations into MG the consortium had concluded the project could be made viable.

## NEI chief killed

SIR JAMES Woodson, chairman of one of the UK's highest engineering and power plant firms, Northern Engineering Industries, died in a car crash near his home at Alnmouth, Northumberland, on Wednesday night.

A board meeting held at the company's Newcastle headquarters elected Mr. Duncan McDonald, who had been chief executive of NEI, as chairman and chief executive. Mr. Woodson's appointment was announced in a statement. The NEI board said the loss of Sir James would be felt at every level in the company.

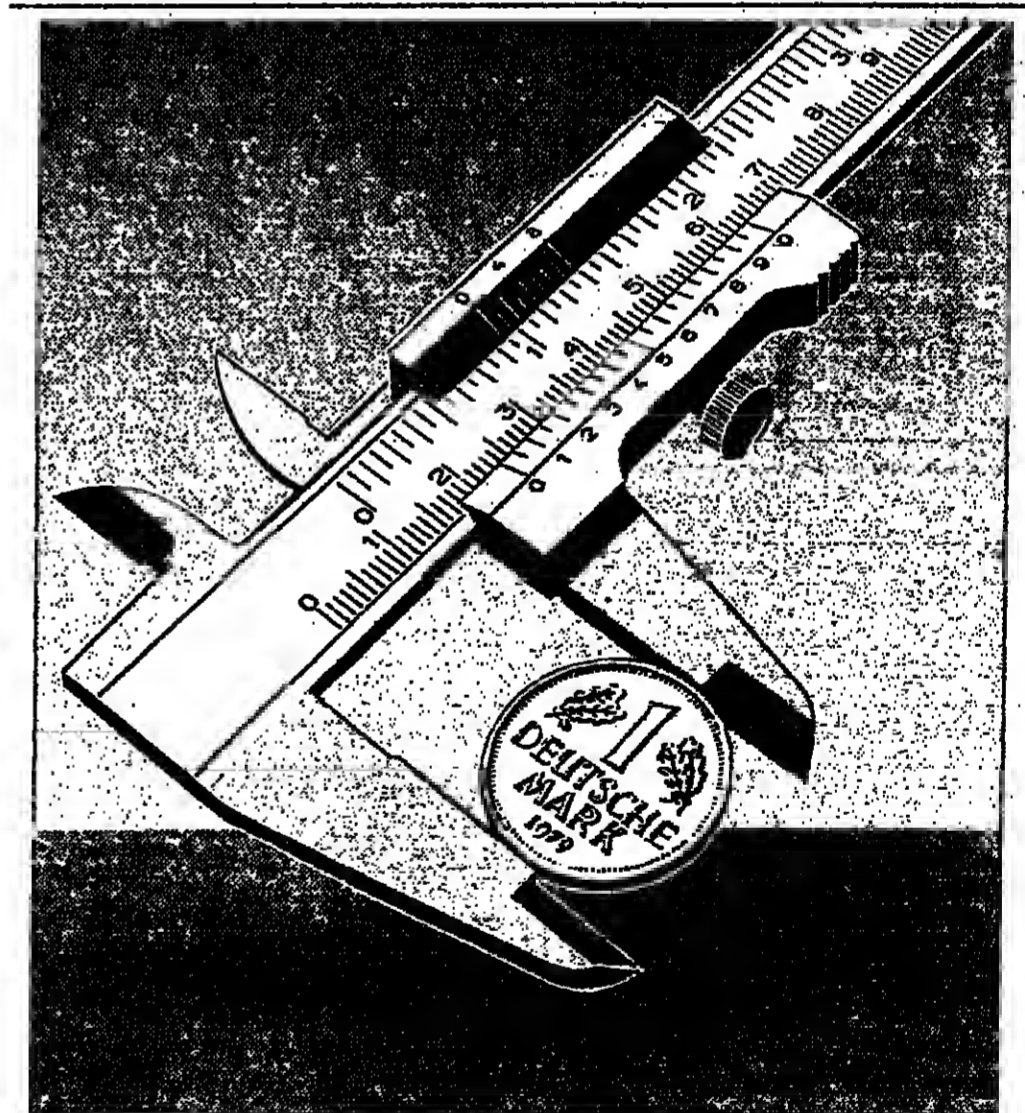
## Weather

UK TODAY

CLEARING after frost and freezing fog.  
London, Rest of England, S.W. Scotland, N. Ireland: Freeways fog, clearing later.  
Dry, 14-17 F.  
Border: Edinburgh, Dundee, Glasgow area.  
Windy showers. Snow on hills. Max. 50 F (10 F).  
Outlook: Most parts — dry, sunny. Cold.

## WORLDWIDE

	Y day	Y day
	max	min
America	11-29	10-18
Algeria	20-28	10-18
Amsterdam	4-22	10-18
Antwerp	6-18	10-18
Australia	23-28	10-18
Bombay	10-18	10-18
Buenos Aires	16-28	10-18
Calcutta	10-28	10-18
Cairo	10-28	10-18
Cardiff	10-28	10-18
Chennai	10-28	10-18
Cebu	10-28	10-18
Colombo	10-28	10-18
Copenhagen	10-28	10-18
Dakar	10-28	10-18
Dhaka	10-28	10-18
Dublin	10-28	10-18
Edinburgh	10-28	10-18
Geneva	10-28	10-18
Hong Kong	10-28	10-18
London	10-28	10-18
Lyons	10-28	10-18
Madrid	10-28	10-18
Moscow	10-28	10-18
Mumbai	10-28	10-18
Nairobi	10-28	10-18
Paris	10-28	10-18
Rangoon	10-28	10-18
Reykjavik	10-28	10-18
Rome	10-28	10-18
Singapore	10-28	10-18
Sofia	10-28	10-18
Taipei	10-28	10-18
Tokyo	10-28	10-18
Yokohama	10-28	10-18



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